ATLANTIC COAST GROUNDFISH MARKETING

A BACKGROUND STUDY

PREPARED FOR

THE DEPARTMENT OF REGIONAL ECONOMIC EXPANSION

BY

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(This report is a staff study; the views expressed herein are of the staff and not necessarily of the Federal Government. The report reflects the marketing conditions which prevailed during 1968 and early 1969.)

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PREFACE

This study deals with the marketing of Atlantic Coast's fresh and frozen Groundfish in the United States. It forms an integral part of a review of the Fisheries Sector in the Atlantic Provinces by the Planning Division of the former Atlantic Development Board (presently, part of the Department of Regional Economic Expansion) and was initiated under the direction of its Director, Mr. David Levin, and Mr. A. D. Crerar, Senior Economist, in consultation with industry and government at the Provincial and Federal levels.

The market surveys in connection with the study started in September 1968 and were completed by February 1969. Initially, the study was designed to cover the four Atlantic Provinces; however, its scope was soon expanded to embrace the five provinces on the Atlantic Coast.

The study was carried out under the overall direction of an Advisory Committee* comprising representatives from selected Federal Government Departments, Provincial Fisheries Departments and Industry Organizations on the Atlantic Coast. The composition of the Advisory Committee was as follows:

A. D. Crerar, (Chairman of the Committee)	Canada Department of Regional Economic Expansion (Atlantic Development Board)
W. C. MacKenzie	Canada Department of Fisheries and Forestry
C. G. O'Brien	Fisheries Council of Canada
D. B. Laughton	Department of Industry, Trade and Commerce
T. R. Kinsella	Department of Industry, Trade and Commerce
G. Snyder	Dominion Bureau of Statistics

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* Besides these Committee members, the following participated in the Committee Meetings almost regularly: D. L. Monroe, (Newfoundland); T. O'Donnell, (Newfoundland); and A. J. Hemming, (Ottawa).

J.N. Lewis	(Retired, formerly Chairman, Fisheries Prices Support Board - Canada Department of Fisheries)
D.A. MacLean	Canada Department of Fisheries & Forestry (Fisheries Prices Support Board)
M.R.M. Dale	Canada Department of Regional Economic Expansion
H.C. Lampe*	National Research Council
M. Lessard	Department of Industry and Commerce, Quebec
G. Bernier	Quebec United Fishermen, Quebec
L. Chenard	New Brunswick Department of Fisheries
J.A. Stewart	New Brunswick Fish Packers' Association
E.M. Gorman	Prince Edward Island Department of Fisheries
J.C. Gallant	Prince Edward Island Fisheries Federation, Souris
B. Meagher	Nova Scotia Department of Fisheries
R.F. Johnson	Nova Scotia Fish Packer's Association
R.C. Crewe	Newfoundland Department of Fisheries
E.A. Harvey	Newfoundland Frozen Fish Trades Association

Mr. Joshua John (a member of the Planning Division of the former Atlantic Development Board) of the Department of Regional Economic Expansion (Planning Division) was responsible for carrying out the study. He is deeply indebted to Mr. A.D. Crerar, Chairman of the Advisory Committee for his valuable comments, suggestions and direction throughout the entire period of study.

During the Market Survey of Groundfish exporting enterprises on the Atlantic Coast, the following provided valuable assistance:

*Member of the Advisory Committee till August, 1969.

Quebec	Z. Berube, Quebec Fisheries
New Brunswick	R. Savoie, New Brunswick Department of Fisheries
Nova Scotia	D.A. MacLean, P.M. Hart and R.B. McPherson, Canada Department of Fisheries, Economics Branch, Maritime Region
Newfoundland	R.C. Crewe, Newfoundland Department of Fisheries
Prince Edward Island	E.M. Gorman and P.M. Hart

Mr. Berube conducted the Market Survey on the Gaspé Coast.

The following Advisory Committee members assisted in arranging the interviews with Groundfish exporters in each of the five provinces on the Atlantic Coast:

M. Lessard	Quebec
B. Meagher	Nova Scotia
E.M. Gorman	Prince Edward Island
L. Chenard	New Brunswick
J.A. Stewart	New Brunswick
R.C. Crewe	Newfoundland
E.A. Harvey	Newfoundland

The following assisted in arranging interviews with major Groundfish buyers in the United States:

C.G. O'Brien	Ottawa
D.L. Monroe	Newfoundland
T. O'Donnell	Newfoundland
R.C. Crewe	Newfoundland
P.P. Russell	Newfoundland
J.C. Dunbar	Nova Scotia
W.O. Morrow	Nova Scotia
J.A. Leblanc	Nova Scotia
P. Burton	Nova Scotia
J. Gosselin	Quebec
M.R.M. Dale	Ottawa

L. J. Weddig	Washington, D. C.
R. J. Gruber	Cleveland, Ohio
D. E. Sirrs	Chicago, Ill.

The following made many useful comments and suggestions. Some also assisted in obtaining data: J. A. Pell, A. Proulx, W. A. Dummett, P. Hogan, J. Gosselin, H. C. Lampe, D. Nash, W. O. Morrow, A. W. Monroe, D. W. Monroe, T. O'Donnell, B. Edge, P. P. Russell, E. Dunn, G. J. Feigon, R. J. Gruber, F. Holas, R. Kinney, F. Olson, H. Luther, B. Finn, R. Brooker, D. Day, and W. L. Posthumus. Mrs. S. McGrath assisted in the preparation of some Tables.

This report is a staff study initiated by the Atlantic Development Board. It reflects the Groundfish marketing conditions which prevailed during 1968 and early 1969. The views expressed in the report are those of the staff and not necessarily of the Federal Government. However, the Advisory Committee members indicated their concurrence with the conclusions of this report at a meeting of the committee held in Halifax, on June 4, 1970.

INTRODUCTION

This study on the marketing of Atlantic Coast's fresh and frozen Groundfish in the United States forms an integral part of a review of the Fisheries sector in the Atlantic Provinces, by the Atlantic Development Board, presently a part of the Department of Regional Economic Expansion.

The Groundfishery on the Atlantic Coast: Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland has, in recent years, suffered serious setbacks. The all too-frequent instability in incomes and prices at the primary producer and process-exporter level on the Atlantic Coast has produced distress conditions in the industry. Several factors have contributed to the industry's difficulties. These can be summed up under two broad headings: (a) inefficiencies in production, and (b) inefficiencies in marketing.[1/]

This study assumes that marketing inefficiencies on the part of Atlantic Coast Groundfish exporters are a significant[2/] factor in the creation of distress conditions in the

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1/ "Marketing" or "distribution" is "the performance of business activities that direct the flow of goods and services from producer to consumer or user" (Report of the definitions committee, American Marketing Association, Journal of Marketing, Vol. XIII, No. 2, October, 1948, Page 209). In contrast to marketing, "production" deals with those activities that produce material changes in the form of merchandise. Marketing encompasses functions such as buying, selling, transportation, storage, grading and standardization, market financing, market risks, market information, etc. In performing these functions, the marketer employs factors of production. The central economic problem surrounding marketing is to allocate the factors of production during the marketing process so as to achieve economics of scale, both internal and external, ~~so as~~ to ensure efficiency. Higher marketing efficiency can mean lower marketing costs and lower marketing costs can, in turn, result in lower marketing margins. Lower marketing costs and margins tend to exert an incentive effect on production and consumption and, thus, on economic growth in general. The extent to which marketing efficiency can be realized depends upon a number of structural conditions in marketing such as the number, size and size-distribution of marketing enterprises, entry and exit conditions, the nature of regulations affecting marketing, etc. Thus, a study of these structural conditions is an essential step in the identification of marketing problems.

2/ This does not imply that production problems are less important. In view of other current studies in the production area, the present study concentrates on marketing problems only.

industry. Therefore, if marketing problems can be identified and removed it should help in improving the returns at the primary producer and the processor-exporter level. Improvements in production without accompanying improvements in marketing, and vice-versa are not likely to bring about the desired level of returns. Therefore, simultaneous action in both production and marketing is essential.

The study looks at a number of inter-related aspects of Groundfish marketing with respect to the Atlantic Coast and the United States viz., the U.S. "market" potential for Groundfish, characteristics of competitive supplies, the "marketing" of Groundfish (including the structure, conduct and performance of Groundfish exporting enterprises on the Atlantic Coast and to some extent in the U.S.), the adequacy or otherwise of marketing support services (including market and marketing intelligence, finance, storage, freezing, transportation, etc.), impact of possible free trade between the Atlantic Coast and the U.S. in Groundfish, etc.

Most of the data used in the study were gathered during the market surveys on the Atlantic Coast and the United States. Confidential data provided by individual Groundfish enterprises on the Atlantic Coast were aggregated in order to avoid the identification of individual companies. In a number of cases Groundfish plants were listed under code numbers in order not to divulge their identity.

SECTION 1

C O N C L U S I O N S

This section presents the conclusions of the study. Being a staff study, these conclusions represent the views and suggestions of the staff only. As such, they should not be construed as federal government policy. It must also be emphasized that the study reflects the marketing conditions which prevailed during 1968 and early 1969.

The present study stemmed from the belief that there are shortcomings in the way Groundfish products are marketed. If the weaknesses can be identified, it should help to provide an indication of how the marketing process might be improved. The problems identified in this report and the conclusions embodied in this section can assist in improving the Groundfish marketing process.

The materials presented in this section are arranged under the following headings:

(a) findings of the study;

(b) policy guidelines with respect to Groundfish marketing; and

(c) suggested measures to improve Groundfish marketing.

2. FINDINGS OF THE STUDY

This study has identified a number of problems with respect to Atlantic Coast's Groundfish marketing in the United States. They are summarized here under the following five headings:

(a) the international nature of the marketing problem;

(b) problems with respect to the marketing system;

(c) problems in market development;

(d) problems in product development; and

(e) problems in marketing support services.

2.1 THE INTERNATIONAL NATURE OF THE MARKETING PROBLEM

(a) the intensification of the international competition in selling Groundfish (particularly Cod) to the U.S. market

among the traditional suppliers: Canada, Iceland, Norway, Denmark and Greenland, as evidenced by the deteriorating Canadian share of U.S. imports of Cod blocks and fillets and by the entry of relatively new suppliers such as Poland. Individually, Scandinavian countries employ more organized selling methods than Canada in exporting to the U.S.;

(b) the limited effectiveness of purely national policies aimed at improving the Groundfish marketing methods and practices, due to the international nature of the marketing operation;

(c) little or no co-operation among the major world suppliers of fishery products; tendency to expand production in response to seemingly temporary price increases leading to seasonal excess supply and price collapse despite the prospect of long term resource limitations and strong demand outlook; inability to withhold the effect of increases in landings from being relayed to the market; ease of obtaining supplies from one seller or another in any one of the supplying countries at favourable prices; in general, a lack of coordination of supply of U.S. market demand.

2.2 PROBLEMS WITH RESPECT TO GROUNDFISH MARKETING SYSTEM

Temporary imbalances between supply and demand have been responsible for a good deal of the price deterioration with respect to Cod blocks. However, with a more orderly marketing system, it would have been possible to allay, at least partially, the debilitating effects of disastrous declines in prices.

In the area of Groundfish marketing methods and practices, the following weaknesses are evident:

(a) The presence of relatively large number of weak sellers (a few large and many small) in comparison with the more

organized selling efforts of individual countries such as Iceland, Norway and Poland, and to some extent, Denmark and Greenland, a situation aggravated, until quite recently, by the relatively easier conditions of entry into Canadian Groundfish processing and the difficult conditions of exit;

(b) A high degree of concentration in buying in the U.S. relative to selling on the Atlantic Coast resulting in (i) little bargaining power on the part of most Atlantic Coast sellers; (ii) high degree of "price" competition (as distinct from "product" competition) among the sellers on the Atlantic Coast, as evidenced by the different prices obtained by different sellers for almost identical products;

(c) Financial and other ties between some sellers and some buyers, distorting the establishment of a normal price level;

(d) Consignment sales or distress sales (until the initiation of the recent Groundfish Purchase Programme of the Fisheries Prices Support Board);

(e) Too high a concentration of sales during the season; unloading on the market of sub-standard products at below market prices by weak sellers;

(f) Sparing efforts to integrate forward: e.g. insufficient effort in setting up U.S. distributing houses or contracting with Fish and Chips outlets;

(g) Tendency of Atlantic Coast exporters to concentrate their sales to a few traditional buyers, primarily, processors resulting in: (i) too much concentration of sales in New England and too little in New York, Middle-West, Mid-Central and West, (ii) relatively poor spatial distribution of sales as compared with the performance of

competitors such as Iceland and Norway; and (iii) inadequate knowledge of chains, distributors, brokers and/or processors in the Central, Mid-West and Western regions of the U.S.;

(h) The lack of overall coordination in marketing to sense the conditions in the U.S. market and to achieve an orderly marketing effort; also the presence of a selling rather than a marketing approach and insufficient marketing planning efforts resulting in the absence of co-ordination between packing and market requirements both during seasonal and non-seasonal periods; and,

(i) As a result of the above, the cost-profit squeeze of Atlantic Coast sellers during crisis periods as in 1968-69 and the resultant inability to plan and manage their Groundfish operations on a sound basis.

2.3 PROBLEMS WITH RESPECT TO MARKET DEVELOPMENT

The weaknesses of the marketing system as indicated above, may have resulted in or contributed to basic short-comings in market development. They are:

(a) The relatively small scale of promotion and advertising efforts of fishery products aimed at the various U.S. food service market segments by:

(i) U.S. processors, distributors and chains;

(ii) Major suppliers such as Canada, Iceland and Norway; and,

(iii) Others (government and industry in the U.S.); lack of adequate funds and also the absence of an agreed programme among the various interested parties;

(b) Inadequate selling efforts of some exporters aimed at frozen food distributors, institutional buyers and chain store buyers in relation to some other food products;

(c) Insufficient efforts in the past to develop inland U.S.

markets with less than national average level of per capita consumption of fish; and,

(d) Insufficient efforts among some suppliers to develop alternative markets other than the U.S.

2.4 PROBLEMS WITH RESPECT TO PRODUCT DEVELOPMENT

(a) Rigidities in product portfolio; that is, too high a concentration on traditional packs (1 lb., and 5 lb. cello wrapped) and blocks; low content of I.Q.F. and layer packs, gourmet cuts, graded fillets, etc. (this situation is changing)

(b) In relation to competitive products, the somewhat poor quality and conformation problems associated with some Atlantic Coast products, mostly unbranded; also poor packaging and design relative to some other suppliers;

(c) Relatively weak quality control efforts at the plant level in some processing plants; and

(d) Lack of adequate research and development in new products: convenience products and others for the various food service market segments in the U.S.

2.5 PROBLEMS WITH RESPECT TO MARKETING SUPPORT SERVICES*

(a) Inadequate information on markets and marketing, including demand conditions, supply conditions, terms of sale, prices and quantities involved in day-to-day transactions, stock levels by species, block stocks by sizes, unsold stocks vs. purchased stocks; purchasing policies and purchasing contracts of buyers; moving and declining food market segments and products; production, stocks and sales in competing countries, etc.; also insufficient interpretation and analysis of available market data;

(b) Under-capitalized processors: inability to hold inventories (until corrected by the Purchase Programme of the Fisheries Prices Support Board) and the high cost as well as the stringent credit limits offered by banks;

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* Refers to physical and facilitating functions.

(c) Inadequate freezing facilities (including lack of tunnel freezing for I.Q.F.), lack of funds (internal and external) for modernization and expansion of facilities and equipment;

(d) Cold storage space limitations within plant premises; poor quality of existing storage facilities with many uncertainties and risks including quality deterioration; inadequacies in transportation with respect to fresh fisheries products; and

(e) Inadequacies and insufficiencies in management skills.

2.6 SUMMARY STATEMENT OF MARKETING PROBLEMS

In summary, the main problems confronting the Atlantic Coast groundfish industry are:

(a) the intensive competitive international environment surrounding the marketing operation;

(b) structural inadequacies as evidenced by fragmented and weak selling on the Atlantic Coast vis-a-vis concentration in buying in the United States; also financial weakness as indicated by under-capitalized processing and exporting operations together with stringent credit limits leading to distress sales in the U.S. market at below cost prices;

(c) lack of information on the day-to-day situation with respect to purchases, sales, stocks by sizes and species, consigned stocks vs. purchased stocks, also the lack of adequate information on the production and supply situation in major supplying countries, the probable timing of sale, the growing and declining market segments and products in major export markets, etc.; and

(d) inadequate freezing facilities (e.g., I.Q.F. freezing facilities) and cold storage space limitations and the somewhat poor quality of existing facilities.

3. THE CONTEXT

The major problem areas identified above must be considered within a context, within a set of parameters and assumptions that establish the bounds for any solutions that may be posed. The working assumptions that have been adopted in this report are detailed below.

3.1 THE INTERNATIONAL CONTEXT

Any programs aimed at improving the Groundfish marketing operation on the Atlantic Coast must take into account the international nature of the problem and the limited effectiveness of purely national policies.

A major portion of Groundfish production moves in international trade. For the Atlantic World, the major destination of Groundfish products is the United States. Throughout the past several years, there have been several price fluctuations in Groundfish products and particularly in frozen blocks and slabs. It appears that the weaknesses in Groundfish prices in the U.S. market are engendered partly by factors operating within the Atlantic Coast, and partly by forces that are at work in other competing countries, as well as in the U.S. market. The distress conditions in the industry are brought about by the independent production and competitive marketing decisions undertaken in the six countries that generally supply to the U.S. market: Canada, Iceland, Norway, Denmark and Greenland, Poland, and West Germany. Given the present pattern of international trade with respect to Groundfish and the common property nature of the resource, such a situation is easily explained. International competition in Groundfish trade, and particularly in a "commodity" item such as frozen blocks and slabs, has intensified to the detriment of a major traditional supplier like Canada.

In view of the international milieu of the Groundfish marketing operation, any attempt to seek a solution purely within the confines of domestic actions and policies within a single producing country is unlikely to yield the desired results. Thus, simultaneous action both on an

intra-national and inter-national level is desirable. In other words, international co-operation in some form or other must go hand-in-hand with, if not precede, measures initiated nationally. Without the former, there is a good possibility that the full effectiveness of any measures initiated at home will be eroded in the market-place through a high degree of price competition.

3.2 THE PLANNING PERIOD, SUPPLY AND DEMAND, AND TARIFFS

Another aspect of policy relates to the length of the planning period, the supply and demand outlook and the nature of prospective tariff and non-tariff barriers.

The planning period underlying suggestions with respect to the U.S. market is the nineteen seventies. During this period, the total U.S. Groundfish market will probably grow at the rate of 4% to 5% per annum. This is a conservative estimate.

The supply of Groundfish in six selected countries that normally export to the U.S. market (Canada, Iceland, Norway, Denmark and Greenland, Poland and West Germany) is expected not to exceed the biological limit, that is about 15% over the 1967 production level.

This would indicate that during the nineteen seventies, there should be growing pressures on a limited Groundfish supply resulting in an improvement in the price situation.

The above statement applies principally to Cod and Ocean Perch; Flounder and Haddock are already somewhat scarce in the U.S. market. (For a detailed treatment of the Groundfish supply and demand situation in the U.S. market, please refer to Section V) However, though the market picture looks bright during medium-term and long-term periods, in the short run, and particularly during seasonal periods, supply conditions, particularly in Cod and Ocean Perch can inject an element of instability in prices, unless remedial measures are taken to regulate the flow of supply in relation to market demand.

An important consideration in examing this problem is the nature of tariff and non-tariff barriers during the planning period. It may be assumed that no tariff reductions beyond those already approved under the Kennedy Round will take place and that beyond the presently encountered non-tariff barriers in the form of "purchasing policies" and the interpretation of Food and Drug Regulations, there may not be any additional non-tariff barriers in exporting to the U.S.

It is also assumed that during the seventies the Groundfish processing industry on the Atlantic Coast is likely to achieve a greater degree of rationalization as a result of policy measures initiated at the government level and to natural trends in the industry.

3.3 THE PRODUCT MIX AND PRODUCT MARKETS

Another important aspect to be considered is product mix. This report considers primarily, fresh and frozen Groundfish products, and more importantly, the latter. It is estimated that due to the continued impact of competition from the freezing industry for raw material and also as a result of the community resettlement programmes, the production of light and heavy salted cod fish production in Nfld. may decline from 36 million lbs. in 1969 to 22 million lbs. in 1979. According to the production and trade estimates for the Canadian Salt Fish Corporation projection of salt fish production might decline at the rate of 5% per year during 1971-79. It is also most likely that during the period under consideration, the proportion of Groundfish utilized in fresh form will undergo an increase. This statement is made on the assumption that transportation, as well as technology with respect to containers and packaging for fresh fish will achieve a breakthrough. With respect to markets for fresh and frozen Groundfish, it is assumed that, in addition to the U.S., few other export markets will be found.

3.4 MEASURES ALREADY UNDERWAY TO IMPROVE GROUNDFISH MARKETING

It is also essential to look at the different measures that have already been initiated on the Atlantic Coast and elsewhere to improve the Groundfish marketing methods and practices. During the

past year, there has been a greater recognition of the need for quick, positive and co-ordinated action in the field of marketing. In the Nordic countries, steps for initiating a greater degree of co-operation among the member-countries are being actively considered, including a proposal to set up national market regulating agencies to (a) set minimum prices on fish landed; (b) to limit suppliers of fish to the market; (c) to regulate and, if necessary, stop fishing, as and when needed to prevent collapse of the market; and (d) to set up Nordic crisis funds to be brought into use in case the operation of national marketing regulating agencies fail due to deteriorating market conditions.

On the Canadian Atlantic Coast, presently, there are two programs in operation with respect to frozen Groundfish. These are: (a) the Working Capital Loan Program of the Federal Department of Fisheries and Forestry; and (b) the Purchase Program of the Fisheries Prices Support Board. Both are effective attempts to remedy two of the basic and long-standing weaknesses in marketing, viz., lakc of inventory financing and distress sales (at below cost prices) and consignment sales. With the Purchase Program, a Canadian exporter who cannot obtain a reasonable market price can sell to the Fisheries Prices Support Board. The Board, at a later date, will sell back to the producer at cost, the product acquired from him.

From our assessment of the Groundfish marketing methods and practices on the Atlantic Coast, it is evident that for a more permanent solution to the problems, it is desirable to have additional policies and programs. The two programs already underway are, undoubtedly major steps in the right direction. An optimum solution of the Groundfish marketing problem requires a co-ordinated program embracing: (a) the marketing system; (b) market development; (c) product development; and (d) marketing support services. Corrective action in the area of market and product development and marketing support services would, undoubtedly, make the marketing process a less difficult and more

rewarding task but still leave the industry open to periodic crises. Improvements in the marketing organization without corresponding improvements in product and market development and marketing support services would not optimize potential returns.

The specifications for an improved marketing set-up should be cognizant of the following points:

(a) it should be capable of preventing the amplification of the market signals that result in over-reaction;

(b) it should not shelter the industry completely from the market. Economic decisions should be rewarded; non-economic decisions penalized; and

(c) it should assist rather than prevent rationalization of the industry, but only when timing and conditions are such that adjustment will be beneficial to the people dependent on the industry.

4. MEASURES TO IMPROVE GROUNDFISH MARKETING

In the foregoing pages of this Section, an attempt was made to identify the significant elements of the Groundfish marketing problem. Against this background, it is useful to consider an effective approach to a solution of the problem. In doing so, one crucial question encountered is the degree and type of Government intervention acceptable in the various marketing problem areas referred to above. For example, while direct government intervention might be desirable in some areas, say, in the marketing system and marketing support services, only indirect Government interference might be warranted in other areas, such as market and product development. ~~In attempting to prescribe the degree of Government interference might be warranted in other areas, such as market and product development.~~ In attempting to prescribe the degree of Government involvement required in each of the problem areas, the benefits in terms of stabilized and improved incomes and prices at the processor exporter and primary producer level must be weighed against the costs, both in terms of direct costs to governments for these programs and indirectly in the potential loss of freedom for members of the industry.

It is difficult to measure precisely the potential benefits from improvements in the marketing system. As a rough approximation, it c can be stated that under certain circumstances e.g. 1969, the cost of inefficient marketing to the Atlantic Coast as a whole on exports of Cod blocks to the U.S. could amount to over $1 million per year. This is the value of price enhancement attributable to the operations of the Fisheries Prices Support Board in 1969.

It would thus appear that marketing improvements offer some potential for improving the returns of the Groundfish industry. Needless to say, government intervention is not an end in itself; it is desirable only if it is the only means to accomplish the objective of better returns to the processor and primary producer. It should also be noted in this connection that the degree of government intervention required depends not only upon the desirability of the price and income benefits to be achieved, but also upon the nature and magnitude of the gaps and deficiencies in the present marketing set-up.

Suggestions relating to marketing improvements are grouped here under the following headings:

(a) suggestions concerning international co-operation;

(b) suggestions concerning the Groundfish marketing system;

(c) suggestions concerning market development;

(d) suggestions concerning product development;

(e) suggestions concerning marketing support services.

4.1 SUGGESTIONS CONCERNING INTERNATIONAL CO-OPERATION IN MARKETING

Informal and formal consultations among international Groundfish suppliers to the U.S. market should be continued in order to facilitate among others the exchange of useful marketing and production information. Our present fragmented marketing system makes it difficult for Canada to speak with one voice in international discussions.

4.2 SUGGESTIONS IN RESPECT OF IMPROVEMENTS IN THE GROUNDFISH MARKETING SYSTEM ON THE ATLANTIC COAST

In order (a) to stabilize the prices of Groundfish products and particularly of commodity items such as frozen blocks or slabs and to prevent distress sales; (b) to improve the returns to primary producers and processor-exporters of Groundfish on the Atlantic Coast; and (c) to improve the overall efficiency of marketing, including product and market development and the adequacy and efficiency of supporting marketing services, it is necessary to achieve a greater degree of coordination among the various Government departments in the exercise of fisheries service functions.

Until the middle of 1969, there was little or no interference with the play of market forces as far as the export marketing of Groundfish products were concerned. However, during 1969, on account of severity of the distress conditions, the Fisheries Prices Support Board initiated its purchase program for Cod Blocks. This program is in force at the present time. Excluding this, the present marketing system consists, primarily, of a number of independent Atlantic Coast exporters dealing individually with the buyers in the U.S. market.

As an alternative to the existing system, several possibilities can be considered:

(a) an export marketing co-operative: one central co-operative for the whole Atlantic coast or a co-operative for each province;

(b) an export marketing corporation owned by exporters;

(c) a Groundfish marketing Board established by federal government legislation;

(d) the present system of independent Atlantic Coast exporters under the overall direction of a federal body with prescribed powers which may be used as and when required;

(e) The provision and coordination of marketing service functions (such as the purchase and sale of distress fishery products, supply management co-ordination,

working capital loans, marketing intelligence, promotional advice, product development advice and assessment of the adequacy of transportation, freezing and storage facilities) through the facilities of existing government departments at the Federal and Provincial level.

From a practical point of view, it would be exceedingly difficult if not impossible to obtain concensus among the Atlantic Coast exporters to set up either a co-operative or a marketing corporation.

As far as a Central Marketing Board is concerned, it appears from our assessment that the prospective market conditions (that is, a strong demand outlook coupled with dwindling supply) do not require an all embracing marketing mechanism.

To keep the existing system without co-ordination is to forfeit the increased returns to the processor and primary producers that appear to exist, and to leave the industry subject to future price fluctuations.

What seems to be required is greater attention to the following aspects of groundfish marketing and more co-ordination in the exercise of service functions by existing government departments.

A Adjustment Function

(i) Purchase and Sale of Fishery Products

- to prevent distress sales and to stabilize depressed market prices at a level equivalent at least to the production costs of efficient Atlantic Coast processors (e.g. the current purchase programme of the Fisheries Prices Support Board, but on a permanent basis.)

(ii) Supply Management Coordination

- to suggest to exporters a suitable plan for the sale of commodity items to the U.S., limiting if necessary the flow of shipments during the season by a temporary storage purchase programme.

- to examine the harvesting and production plans of producers vis-a-vis market requirements and to suggest suitable production changes.

(iii) Working Capital Provision

- to provide working capital loans for prescribed periods to processors and exporters, as necessary. (this could be operated on the same lines as the 1969 working capital loan program of the Dept. of Fisheries and Forestry)

B Marketing Planning and Marketing Intelligence Functions

(i) Marketing Intelligence

- on a continuous basis, to collect, evaluate and disseminate timely, accurate and adequate marketing information;
- to follow the marketing practices of Groundfish exporters including the monitoring of pricing practices and buyer/seller relationships;
- to undertake on a continuing basis short-term, medium-term and long-term assessments of supply and demand conditions affecting the Groundfish industry both on the Atlantic Coast and in competing countries in order to enable marketing planning at the industry and governmental level;
- to render advice to exporters concerning market opportunities, profitable marketing channels, desirable product mix, quality and packaging considerations, etc.

These intelligence functions may require field representation in major market areas, to begin with in the U.S. market, say in Boston or Gloucester.

(ii) Promotional Advice

To stimulate the demand for fishery products in general and for specific items of Groundfish fillets in particular, promotion

would include trade and consumer education, point-of-sale displays, merchandising stimulation, etc. The bulk of responsibility in this field would be with industry. Government departments could only cope to stimulate.

The Atlantic Groundfish industry, through the Fisheries Council of Canada should continue to work closely with the promotion committee of the National Fisheries Institute in their programs to expand fish consumption. In addition, an examination should be made of the ways in which these programs might be expanded. Co-operation among major international suppliers in this field should also be explored. Any scheme of promtoion should include an education program intended to educate super markets to handle and display fish.

(iii) Quality Control Function

Quality control is essential to a successful exporting operation. Besides quality, it should include conformity, size, delivery schedule and inspection. Quality control should be exercised all the way from the point of landing to the final consumer level standardization of quality and packaging are essential prerequisits to an effective market development programme. The quality control function would be exercised by the Inspection Service of the Department of Fisheries and Forestry.

The effective co-ordination of the functions outlined above seems to be appropriate to the present problems and prospects of the industry. It represents the minimum of coertion, the maximum of education, exhortation and guidance. This would seem to be the appropriate mix for the present and potential situation.

All of these functions can be carried out, possibly without incurring any additional expenditures through the existing facilities of the various federal government departments, as for example, the Dept. of Fisheries and Forestry, Fisheries Prices Support Board, Dept. of Industry, Trade and Commerce, Dept. of External Affairs, etc. In case

it does require additional expenditures, the question arises as to who should bear them. However, the possibility of this happening is remote as the existing facilities appear to be adequate to perform the required function.

4.3 SUGGESTIONS CONCERNING PRODUCT DEVELOPMENT

Techological research should be continued and strengthened in order to improve catching and freezing at sea; also to improve handling, processing and freezing and to develop new products.

Discussions should be initiated by the Government with the Atlantic Groundfish industry concerning an overall programme of product development, compatible with consumer needs and preferences. A continuing program of consumer research should be initiated.

New product lines should be explored to give the consumer a wider choice. The Atlantic Coast producers should speed the development of product planning programs to reduce their dependence on traditional products such as 1 lb. and 5 lb. cello wrapped packs and blocks and to switch into I.Q.F. and layer packs, graded fillets and portions, casserole dishes of fish, etc. Without a quality product line, product promotion in the market place is not likely to be effective.

4.4. SUGGESTIONS CONCERNING MARKETING SUPPORT SERVICES

The following can be identified as marketing support services.

4.4.1 FINANCE

In Section XI (paragraph 3) of this report, the financing problems of the Atlantic Coast exporters were discussed. The recently initiated Working Capital Loan Program of the Department of Fisheries and Forestry has, apparently, filled this gap. The existing programme is sufficient and it should be continued.

4.4.2 FREEZING FACILITIES

The particular types of freezing requirements of individual exporters to enable them to produce quality products as well as to introduce and/or increase new product lines such as I.Q.F. and layer packs should be assessed.

4.4.3. COLD STORAGE FACILITIES

Requirements for the construction or expansion and/or modernization of cold storage facilities should be assessed.

4.4.4 MARKETING INTELLIGENCE

The industry should be provided with an effective marketing intelligence service.

4.5 SUGGESTIONS CONCERNING THE MARKETING OF NON-COMMODITY ITEMS OF GROUNDFISH

It would be desirable for the Atlantic Coast exporters to examine the possibility of a wider spatial distribution of their Groundfish products in the U.S. Canada's representation in the Midwest and West of the U.S. appears to be weak in comparison with Iceland and Norway, at the time the survey was undertaken. Atlantic Coast exporters have not in any serious way participated so far in the Fish and Chips boom that is gathering momentum in the U.S. At least the southern U.S. market appears to have gone to Iceland.

It is also desirable for the Atlantic Coast exporters to sell to a larger number of buyers (this amounts to reducing the concentration of sales), than at present. Until this is achieved, it may not be advisable to engage in processing operations in the U.S. as it may tend to affect adversely the established relationship between Atlantic Coast exporting and U.S. buyers, at least in the short run. The most effective method for the industry to move into this field would be to initially set up a distributing or marketing house in the U.S. Alternatively, processing arrangements may be explored with small or medium size U.S. processors. I.Q.F. breading at present seems to offer good prospects for possible Canadian-owned processing ventures in the U.S.

5. ADDITIONAL AREAS FOR RESEARCH

(a) Additional research on product development should be co-ordinated with a survey of merchandising requirements at the chain store level and at the frozen food wholesale distributor level in the U.S.

(b) A more detailed examination of the market systems in competing countries would be desirable, e.g. Iceland, Norway, and Denmark.

6. CONCLUDING REMARKS

Given the present bouyant condition of the market and the attitude of the industry, this examination of marketing concludes that probably no more is required than the effective co-ordination of existing programs of the Federal and Provincial governments. The essence of co-ordination is that some one agency should assume the overall responsibility for adequate and timely provision of services and information, even though these services may be provided most effectively by a number of departments in the Federal and Provincial governments. What is, therefore, required is an identified responsibility centre for fisheries marketing services within the Federal Government.

There has only been a very brief reference to the proposed Salt Fish Corporation and its role in Groundfish marketing. Essentially this is because salt fish seems to represent a declining segment of the Groundfish market, one which under the operative assumptions on market trends adopted here will account only for a fairly small portion of Cod landings during the decade of the seventies.

SECTION II

TERMS OF REFERENCE

1. Briefly stated, the study deals with the marketing of Groundfish from the five Provinces on the Atlantic Coast to the United States. More specifically, its Terms of Reference are:

1.1 Product Coverage:

Fresh and frozen Groundfish products of the Atlantic Coast: fillets and blocks. Groundfish is taken to comprise: Cod, Flounder, Haddock, Catfish, Cusk, Hake, Halibut, Pollock, Ocean Perch and other. The emphasis of the Report is on Cod, Haddock, Flounder and Ocean Perch.

1.2 Geographical Coverage:

Five Provinces on the Atlantic Coast: Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and the entire U.S. market for Groundfish.

1.3 Subject Coverage:

(a) to study the nature, size and growth characteristics of the U.S. Groundfish market, estimating the size of existing markets and identifying those Groundfish products and regional markets that have growth potential; also to identify the U.S. Consumption patterns and consumer preferences that have significance for the producer and marketer of Groundfish on the Atlantic Coast;

(b) to identify the competitive suppliers of Groundfish in the U.S. market, pointing out the price and income support programmes that obtain in supplying countries and to examine the competitive experience of Atlantic Coast Groundfish exporters in the U.S.; also to

analyze the present and emerging tariff and non-tariff barriers affecting Groundfish exports from the Atlantic Coast into the U.S.;

(c) to examine the existing marketing system relating Groundfish at (a) the processor-exporter level on the Atlantic Coast; and (b) at the Groundfish buyer level in the U.S. (broker, wholesale-processor, wholesale-distributor and chain level), pointing out the structure, conduct and performance of marketing enterprises;

(d) to examine the adequacy of supporting marketing services on the Atlantic Coast such as marketing finance, freezing and cold storage, quality control, transportation, promotion and advertising, market information, etc; and

(e) to recommend measures to improve the efficiency of the existing Groundfish marketing system on the Atlantic Coast.

2. Nature of the Field Study

2.1 Enterprises Interviewed on the Atlantic Coast:

The study is based, largely, on data collected during field market surveys both at the processor-exporter level on the Atlantic Coast and at the Groundfish buyer level in several cities in the United States.

On the Atlantic Coast, interviews were held with all major Groundfish processor-exporters. In all, 57 enterprises were interviewed, as follows:

QUEBEC

Quebec United Fishermen, Montreal
Blue Water Sea Foods Limited, Montreal
National Sea Products Company Limited, Montreal
Empire Cold Storage, Montreal

Standard Fish Company, Montreal

Association Coop des Pêcheurs, Carleton

Products de la Pêche la Peninsule, Paspebiac

Cooperative Centrale des Pêcheurs,
Iles-de-la-Madeleine

Gorton Pew Company Limited, Iles-de-la-Madeleine

St. Lawrence Sea Products, Quebec

Robin Jones and Whitman, Paspebiac

Roy Clouston and Sons Limited, Montreal.

NEW BRUNSWICK

Robichaud and Company, Shippegan

R.W. Robichaud, St. Andrews

McCormack and Zatzman Limited, Saint John

Connors Brothers Limited, Blacks Harbour

Grand Harbour Fishermen's Cooperative Limited,
Grand Manan

Grand Manan Sea Products Limited, Grand Manan

John J. Beaudin, Pigeon Hill

Northern Products Company Limited, Val Comeau

L'Association Cooperative Des Pêcheurs, Lameque

Eagle Fisheries, Shippegan

Gorton Pew Limited, Caraquet

Swim Brothers Limited, Shippegan

W.S. Loggie and Company Limited,
(Shippegan and Escueminac)

Cooperative de Baie Ste. Anne Limited, Mannuel

Clovis King and Sons Limited, Richibucto Village

B.A. Richard Limited, Ste. Anne

E.P. Melanson Limited, Cocagne

Paturel Division of National Sea Products Limited,
Shediac

John Nielson Limited, Moncton.

(Also Federation of Fishermen, Lameque, and Federal Department of Fisheries Inspection Branch, Shippegan.)

PRINCE EDWARD ISLAND

Eastern Fisheries Limited, Souris

Usen Fisheries Canada Limited, Souris.

NOVA SCOTIA

National Sea Products, Halifax

United Maritime Fishermen, Halifax

Burns Fisheries Limited, Halifax

B.C. Packers Limited, Halifax

H.B. Nickerson and Sons Limited, North Sydney

Mersey Seafoods Limited, Liverpool

Keith O. Raymond Limited, Centreville

Bonda Foods Limited, Yarmouth

Woods Harbour Fisheries Limited, Woods Harbour

Comeau's Seafoods Limited, Saulnierville

Acadia Fisheries Limited, Mulgrave

Sable Fish Packers Limited, Shelburne

Connors Brothers, Freeport

Swim Brothers, Lockport.

NEWFOUNDLAND

Job Brothers Limited, St. John's

Burgeo Fish Industries Limited, St. John's

Gaultois Fisheries Limited, St. John's

John Penny and Sons Limited, Ramea (by mail)

Fishery Products Limited, St. John's

P. Janes and Sons Limited, Trinity Bay

Bonavista Cold Storage Company Limited,
St. John's

Booth Fisheries Canadian Company Limited,
Fortune

Atlantic Fish Processors Limited,
(St. John's and Toronto Offices)

Earl Brothers Fisheries Limited, Trinity Bay

North Eastern Fish Industries Limited,
Harbour Grace

Newfoundland Quick Freeze Limited, Witless Bay.

(Also Federal Department of Fisheries, Newfoundland, Newfoundland Federation of Fishermen and Newfoundland Fisheries Development Authority).

A Questionnaire was used during the survey on the Atlantic Coast. The procedure followed during the interview was to cover the entire Questionnaire with the company representative interviewed and to the extent possible, to obtain data on the spot. However, it was found necessary to leave some of the tables with the companies to be filled-in and forwarded to the Atlantic Development Board, later on. The response of the Groundfish industry to the survey has on the whole been satisfactory. During the interviews, the company representatives freely discussed their marketing problems and did not hesitate to make known their personal views. With the exception of a few enterprises, almost all the enterprises interviewed agreed to provide the requested marketing and cost data. However, due mainly, to limitations of individual company accounting and recording practices, it was not possible to obtain all the data in the requested format. For example, some companies found it difficult to breakdown sales between "consignment" and "fixed price"; some companies were not able to provide sales by type of distribution channel used. Some companies were not able to provide sales data by type of product marketed. Therefore, it was necessary to make additional contacts with Groundfish enterprises long after the survey in order to obtain additional data, wherever possible.

Through the Questionnaire, an attempt was made to investigate the marketing practices of Atlantic Coast Groundfish exporters. This included among others, trade channels, branding, brokerage fee paid, product mix, vertical integration, cold storage and freezing facilities, transportation, market finance, marketing risks, market information, entry and exit, inter-company competition in export trade, conditions

and terms of sale, pricing, advertising and promotion, cost components of spread between buying and selling price, etc.

2.2 Market Survey in the United States:

Following upon the survey of major Groundfish exporters on the Atlantic Coast, a survey of Groundfish buyers in the U.S. was undertaken with the co-operation and assistance of Canadian Groundfish exporters. Interviews were held in several cities including Boston, Gloucester, Lowell and New Bedford, Philadelphia, New York, Cleveland, Chicago and Washington, D.C., as follows:

Bureau of Commercial Fisheries, Market News Service, Boston, Massachusetts,

A and P Tea Company Incorporated, Boston, Massachusetts,

O'Donnell-Usen Fisheries Corporation, Boston, Massachusetts,

Shamrock Fisheries Incorporated, Boston, Massachusetts,

Fulham and Maloney Incorporated, Boston, Massachusetts,

Pocasset Seafoods Incorporated, Boston, Massachusetts,

Acadia Fisheries Incorporated, Gloucester, Massachusetts,

Sea Pak Corporation, Gloucester, Massachusetts,

F.W. Boyce Incorporated, Gloucester, Massachusetts,

Caribou Fisheries, Gloucester, Massachusetts,

Commodore Foods Incorporated, Lowell, Massachusetts,

Frionor Kitchens Incorporated, New Bedford, Massachusetts,

U.S. Bureau of Commercial Fisheries, Market News Service, New York,

Rupert Fish Company, New York,

Danland Sea Food Corporation, New York,

Eastern Commission, New York,

Howard Johnson, New York,

Mrs. Pauls Kitchens Incorporated, Philadelphia,

Liberty Fish Company Incorporated, Philadelphia,

Dolphin Sea Foods Incorporated, Cleveland,

R.J. Gruber, Cleveland,

Booth Fisheries Corporation, Chicago,

Mid Continent Sales, Chicago,

L.H. Frohman and Sons, Chicago,

Morley Sales Company, Chicago,

Slade Gorton Company Incorporated, Chicago,

Rupert Fish Company, Chicago,

Bureau of Commercial Fisheries, Market News Service, Chicago,

Bureau of Commercial Fisheries, Marketing and Promotion Department, Chicago,

National Fisheries Institute, Chicago,

Bureau of Commercial Fisheries, Baltimore, and Washington, D.C.

During the U.S. market survey, discussions were held, on a confidential basis, with major U.S. Groundfish importers, wholesale-processors as well as brokers. No questionnaire was used during these interviews. In these series of informal discussions, an attempt was made to ascertain among others, the Groundfish buying practices of U.S. buyers, relationship between U.S. buyers and Atlantic Coast exporters, import pricing policies, processor and distributor margins, etc.

The U.S. Groundfish buyers interviewed evidenced considerable interest in the study and co-operated by providing useful comments and suggestions.

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SECTION IV

GROUNDFISH LANDINGS AND UTILIZATION ON THE ATLANTIC COAST

1. As a background to an examination of the Groundfish marketing process, this section looks at the size, characteristics and utilization of Groundfish landings on the Atlantic Coast.

1.1 Size of Landings

Table 1 shows the volume of annual Groundfish[3/] landings for Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland during 1957-1968. On an index basis (1957 = 100), the volume of landings in each of the five provinces was as follows:

YEAR	QUE.	N.B.	N.S.	P.E.I.	NFLD.	TOTAL ATLANTIC COAST
1957	100.0	100.0	100.0	100.0	100.0	100.0
1958	94.1	105.7	95.0	99.9	79.4	88.0
1959	87.8	111.8	94.2	108.0	101.2	98.5
1960	79.9	106.1	93.3	112.0	102.1	97.7
1961	84.1	106.2	89.1	95.7	88.8	89.7
1962	93.8	110.1	90.8	105.4	101.0	97.6
1963	95.5	119.0	91.3	101.5	107.5	101.7
1964	95.0	118.3	105.0	103.2	102.2	103.5
1965	103.1	128.9	115.0	109.4	110.0	112.2
1966	116.8	128.7	125.7	166.5	117.6	122.0
1967	142.9	120.7	113.5	125.6	111.5	115.8
1968	168.5	125.3	116.2	111.7	121.5	123.8

As compared with 1957, landings increased in all the five provinces during 1965-68. The increase was more pronounced in Quebec, New Brunswick and Newfound-

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3/ All Groundfish including cod, haddock, ocean perch, flounder and others.

land than in Nova Scotia and Prince Edward Island. Total volume of Groundfish landings increased from 986 million lbs. (landed weight)[4/] in 1957 to 1221 million lbs. in 1968, an average annual increase of 2%. During the same period, the volume of total Canadian Groundfish landings (Atlantic and Pacific Coast landings) increased from 1,050 million lbs. to 1,266 million lbs., an increase of 1.7% per annum, as compared with 1.8% in Newfoundland, 0.8% in Prince Edward Island, 1.4% in Nova Scotia, 2.1% in New Brunswick, and 5% in Quebec. Landings remained somewhat stationary during most of 1957-64, but it appears to have experienced an upward trend since 1965.

1.2 Estimate of Future Landings

In estimating future landings, several considerations have to be taken into account. Some of these are:

(a) the market prospects for Groundfish;

(b) the anticipated nature and size of fishing effort in Canada and other countries, and

(c) the nature of the resource.

The present study has attempted to estimate future landings only on the basis of based growth rates.

In the last two years, several processors on the Atlantic Coast, particularly in New Brunswick, have increasingly shifted from cod to crab, on account of the depressed market conditions for cod, and particularly, cod blocks. However, this is likely to revert itself to some extent if the price for cod blocks improved in the U.S. market.

4/ Gutted, head on.

The five year growth rate in Groundfish landings on the Atlantic Coast was as follows:

YEAR	5 YEAR MOVING AVERAGE YEARLY GROWTH RATE (000)
1957-62	0.5
1958-63	3.0
1959-64	1.0
1960-65	2.8
1961-66	6.3
1962-67	3.5
1963-68	4.0

The average yearly growth rate in landings during 1957-68 (12 years) was 4.4%. We assume that given a somewhat optimistic long term outlook for Groundfish in the U.S. market, the landings would increase by at least 3.0% per year. On that basis, the following would be a rough projection of landings during 1969-80. (Alternative projections based on annual growth rates of 4% and 2.5% respectively, are given in Table 1).

GROUNDFISH LANDINGS ON THE ATLANTIC COAST, 1969-1979
(Million lbs. landed weight)

(Actual)	1968	1,221
(Forecast- increase of 3.0% per year)	1969	1,258
	1970	1,296
	1971	1,335
	1972	1,375
	1973	1,416
	1974	1,458
	1975	1,502
	1976	1,547
	1977	1,593
	1978	1,641
	1979	1,690
	1980	1,741

1.3 Provincial Distribution of Atlantic Coast Landings

The Groundfish landings on the Atlantic Coast constitutes almost 96% of total Groundfish landings in Canada.

The following table indicates the percent share of Groundfish landings among the five provinces on the Atlantic Coast.

YEAR	TOTAL ATLANTIC COAST	QUE.	N.B.	N.S.	P.E.I.	NFLD.
1957	100.0	8.7	6.4	33.4	2.1	49.4
1958	100.0	9.3	7.7	36.1	2.4	44.5
1959	100.0	7.8	7.3	32.0	2.3	50.6
1960	100.0	7.1	6.9	31.9	2.4	51.7
1961	100.0	8.2	7.6	33.2	2.2	48.8
1962	100.0	8.4	7.2	31.1	2.2	51.1
1963	100.0	8.2	7.5	30.0	2.1	52.2
1964	100.0	8.0	7.3	33.9	2.1	48.7
1965	100.0	8.0	7.3	34.3	2.1	48.3
1966	100.0	8.3	6.7	34.4	2.9	47.7
1967	100.0	10.7	6.7	32.8	2.3	47.5
1968	100.0	11.8	6.5	31.3	1.9	48.5

It is interesting to note that during the 1957-68 period, there has been no marked shifts in the provincial distribution of landings, except perhaps in Quebec (an upward trend) and P.E.I. and Nova Scotia (a downward movement). We estimate the provincial distribution of landings during 1969 and 1979 as follows:

YEAR	ATLANTIC COAST (000 lbs.)	QUE. (000 lbs)	%	N.B. (000 lbs)	%	N.S. (000 lbs)	%	P.E.I. (000 lbs)	%	NFLD. (000 lbs)	%
1957	986	85		63		329		21		487	
1962	963	81		69		299		22		492	
1967	1,142	123		76		374		26		543	
1968 (Forecast)	1,221	145		79		383		23		592	
1975	1,502	173	11.5	101	6.7	481	32.1	29	1.9	718	47.8
1979	1,690	194		113		541		32		810	

1.4 Composition of Landings by Species

Table 2 presents the composition of Groundfish landings by species. The percent distribution of Groundfish landings on the Atlantic Coast during 1957-68 was as follows:

	PERCENT OF TOTAL GROUNDFISH LANDINGS				
YEAR	COD	HADDOCK	FLOUNDER	OCEAN PERCH	OTHER GROUNDFISH
1957	65.2	13.3	8.8	4.7	8.0
1958	60.7	11.8	9.7	7.1	10.7
1959	65.8	11.5	9.4	4.	9.1
1960	62.7	9.9	12.7	4.9	9.8
1961	58.6	13.4	12.1	6.4	9.5
1962	60.8	11.9	10.6	6.4	10.3
1963	60.8	9.1	12.5	8.3	9.3
1964	56.0	10.4	15.8	7.9	9.9
1965	52.0	8.4	18.3	11.8	9.5
1966	46.7	9.4	19.4	15.2	9.3
1967	45.6	8.9	22.4	16.6	6.5
1968	48.1	7.4	21.8	16.5	6.2

It will be noted that while Cod and Haddock have declined their relative shares of the total Groundfish landings, Ocean Perch (Red Fish) and Flounders (including Plaice, Witch and Yellow Tail) have increased their relative shares during 1957-68. Total Groundfish landing were valued at about $50 million in 1968, broken down as follows:

	Landed Value - 1968
Cod	- $24.9 million
Haddock	6.8 million
Flounder	7.9 million
Ocean Perch	5.3 million
Other Groundfish	- 4.5 million

The active season for Groundfish landings extends from April to October, and about 75% of landings take place during this period. The month of July invariably seems to have the heaviest landings accounting for about 20% of total yearly landings. The following was the configuration of Groundfish landings on an index basis

(July = 100) during 1968 and 1965, on the Atlantic Coast.

YEAR	J	F	M	A	M	J	J	A	S	O	N	D
1968	12.6	23.6	27.2	31.7	48.9	78.7	100.0	64.0	62.5	44.7	28.2	22.0
1965	13.8	22.8	29.9	32.5	46.6	72.7	100.0	85.5	62.8	44.6	32.5	27.7

(See Figure 1 and Table 3)

Data relating to the breakdown between "inshore" and "offshore" landings were available only for Newfoundland. During 1966 and 1967 the total Groundfish landings in 20 selected freezing plant locations in Newfoundland amounted to 284 million lbs., and 241 million lbs., respectively. The breakdown of these landings in terms of "inshore" and "offshore" was as follows:

	1966 (000 lbs.)	%	1967 (000 lbs.)	%
Inshore	94,696	33	63,758	26
Offshore	189,692	67	177,566	74
TOTAL	284,388		241,324	

In New Brunswick, inshore landings as a percent of total landings in 1968 were about 10%.

At the end of 1968, the North East Section of New Brunswick had 13 fishing boats (79 ft. to 112 ft.) engaged in catching Groundfish. In the Bay of Fundy, there were 30 boats (60 ft. to 65 ft.).

Some details on Ground fishing effort in Quebec are given below:

	1966	1968
Total number of Fishermen	3,703	4,122
Employed in Groundfish	2,468	2,609
% in Groundfish	67%	63%
Number of Boats (10 tons & less)	2,755	2,368
Boats in Groundfish (10 tons & less)	1,900	1,705
% in Groundfish	69%	72%
Number of Boats (10 tons & over)	187	199
Boats in Groundfish (10 tons & over)	184	195
% in Groundfish	98%	98%

It has not been possible to obtain similar data relating to Newfoundland, Prince Edward Island and Nova Scotia.

1.5 COD - Cod Landings on the Atlantic Coast in 1968 were 587 million lbs. (valued at $24.9 million). Newfoundland continues to have the largest share of Cod landings, accounting for over 60% of total landings on the Atlantic Coast. The percent distribution of Cod landings on the Atlantic Coast is given in the following table:

YEAR	TOTAL ATLANTIC COAST	QUE.	N.B.	N.S.	P.E.I.	NFLD.
1957	100.0	12.2	6.0	18.0	1.2	62.6
1958	100.0	13.6	7.4	21.0	1.5	56.5
1959	100.0	10.0	6.9	16.8	1.3	65.0
1960	100.0	9.2	5.5	16.6	1.5	67.2
1961	100.0	11.0	6.7	17.4	1.5	63.4
1962	100.0	11.2	7.0	16.4	1.4	64.0
1963	100.0	10.4	6.5	15.9	1.1	66.1
1964	100.0	9.4	6.6	18.2	1.1	64.7
1965	100.0	8.9	5.9	24.0	1.2	60.0
1966	100.0	8.4	4.0	24.5	1.9	61.2
1967	100.0	8.7	4.3	24.4	1.2	61.4
1968	100.0	8.5	3.6	24.5	1.1	62.3

In absolute terms, Cod landings have generally speaking declined during the 1957-68 period in Quebec, New Brunswick, and to some extent in Newfoundland.

Volume of Landings
(million lbs.)

YEAR	QUE.	N.B.	P.E.I.	N.S.	NFLD.
1957	78.5	38.8	7.9	115.3	401.6
1968	50.0	21.0	6.2	143.8	366.2

The active landing season for Cod extends from April to October. There are, however, noticeable differences in interprovincial landing seasons. While in Nova Scotia, landings seem to be active almost throughout the year, in Newfoundland the season gets active around March-April, and carries on till October. In New Brunswick, Prince Edward Island and Quebec, the active periods are May to November, May to October, and May to September, respectively.

The volume of Cod landings on the Atlantic Coast during 1957-68 is given in Table 4. Monthly Cod landings are given in Table 5. (See also Figure 2)

1.6 HADDOCK

Table 6 presents the size and distribution of Haddock landings on the Atlantic Coast. It will be noted that Nova Scotia accounts for almost 93% of the total Haddock landings on the Atlantic Coast, having improved its relative share from 64% in 1957 to 92.5% in 1968. During the same period, Newfoundland has experienced a decline in its share from 33.4% to 2.3%. Quebec seems to have depleted its Haddock resources having had no Haddock landings during 1967 and 1968; the same can be said about Prince Edward Island. Total Haddock landings during 1968 on the Atlantic Coast were 91 million lbs., and were valued at $6.4 million. The Haddock season extends practically over all the year. (Table 7).

1.7 FLOUNDER

Flounder landings on the Atlantic Coast amounted to 266.6 million lbs. in 1968 (including Plaice, Witch and Yellowtail) and were valued at $7.9 million. During the 1957-68 period, Flounder landings have more than tripled in volume, from 86.5 million lbs. to 266.6 million lbs. Newfoundland lead in the rate of increase in this fishery, growing at a rate above the Atlantic Coast average. P.E.I.'s growth was much below that of other provinces.

	% Increase in Landings during 1957-68
Quebec	182
New Brunswick	118
Nova Scotia	123
Prince Edward Island	27
Newfoundland	457

Newfoundland increased its share of total Atlantic Coast Flounder landings from 26.5% in 1957 to 48% in 1968. During the same period, Prince Edward Island

and Nova Scotia experienced a declining share of total Flounder landings. Quebec and New Brunswick more or less maintained their relative shares. Table 8 presents the size and percent distribution of Flounder landings on the Atlantic Coast. As in the case of Haddock, the Flounder season extends over the 12 months of the year. During 1968, the highest volume of landings occurred in the month of May.

1.8 OCEAN PERCH

Total Ocean Perch landings on the Atlantic Coast were over 201 million lbs. in 1968 (valued at $5.3 million). Table 9 presents the volume and percent distribution of landings on the Atlantic Coast for the 1957-68 period. It will be noted that total landings increased from 47 million lbs. in 1957 to 201 million lbs. in 1968, an increase of 328% during 11 years. Landings in Quebec and Newfoundland have increased substantially during this period. As compared with 8% of total Atlantic Coast landings, Quebec's share increased to 35% by 1968. The season for Ocean Perch landings extend practically over 12 months of the year; the landings, however, are generally heavier during May to November.

1.9 World Landings of Groundfish

World landings of Cod, Haddock, Pollock, Cusk, Redfish and Catfish, considered as a whole, and the relative shares of major world suppliers are given in Table 10. It will be noted that relative shares of various suppliers have remained somewhat stationary. Poland, although a small producer, has, however, improved its share from a low 1% in 1958 to about 3% in 1967. The total world landings of these species of Groundfish were around 10 billion lbs. (round

weight) in 1967 as compared with 8.6 billion lbs. in 1957.

1.10 Utilization of Groundfish on the Atlantic Coast

During the years 1965 and 1968, approximately 78% of Groundfish landings on the Atlantic Coast were utilized in frozen form. The distribution of total frozen products was as follows:

	1965 (000 lbs.) 5/	% of Total	1968 (000 lbs.) 5/	% of Total
Frozen Dressed	3,670	1.5	5,278	2.0
Frozen Fillets	106,205	44.6	158,472	59.3
Frozen Blocks	128,142	53.9	103,576	38.7
TOTAL FROZEN	238,017	100.0	267,326	100.0

Freezings were high during May-October. It will be noted that although freezings as percent of total landings have not undergone any noticeable change between 1965 and 1968, the composition of freezings did undergo a change. For example, Frozen Blocks accounted for only 39% of total Groundfish freezings in 1968 on the Atlantic Coast as compared with 54% in 1965. Fillets constituted 60% of total Groundfish freezings in 1968 as compared with 45% in 1965. The utilization pattern with respect to specific species of Groundfish was as follows:

1.10.1 COD

	1965 (000 lbs.) 5/	% of Total	1968 (000 lbs.) 5/	% of Total
Total Frozen	105,983	100.0	112,434	100.0
Frozen Fillets	30,377	28	35,899	32
Frozen Blocks	75,519	71	75,011	67
Frozen Dressed	87	1	1,522	1
Total Frozen as % of Landings		58		57

5/ Product Weight

Cod freezings as percent of landings on the Atlantic Coast during individual months were as follows:

	1965 (%)	1968 (%)
January	77	90
February	85	82
March	77	79
April	86	85
May	79	68
June	67	51
July	46	39
August	39	49
September	48	51
October	56	66
November	69	71
December	68	81
Average for the Year	58% of Landings	57% of Landings

It is interesting to note the differences in the utilization of Cod in frozen forms between the different provinces on the Atlantic Coast.

	1965 (000 lbs.)	% Total	1968 (000 lbs.)	% Total
Maritime Provinces				
Frozen Dressed	39		-	
Frozen Fillets	16,564	45	18,991	57
Frozen Blocks	21,786	55	16,211	43
Total Frozen	38,389	100	35,202	100

Total frozen, as percent of landings, was 65% in 1965 as compared with 62% in 1968 .

QUEBEC	1965 (000 lbs.)	% Total	1968 (000 lbs.)	% Total
Frozen Dressed	-		57	1
Frozen Fillets	-		2,448	28
Frozen Blocks	-		6,176	71
Total Frozen	-		8,681	
Frozen as % of Landings	-			52

NEWFOUNDLAND

	1965 (000 lbs.)	% Total	1968 (000 lbs.)	% Total
Frozen Dressed				1
Frozen Fillets	10,338	18	14,389	21
Blocks & Sticks	48,145	82	52,492	78
Total Frozen	58,477		67,014	
Freezings as % of Total Landings		51		55

1.10.2 HADDOCK

In 1965 and 1968, over 65% of Haddock landings on the Atlantic Coast were utilized in frozen form. The proportion of freezings in filleted form increased from 55% of total frozen in 1965 to 73% of total frozen, in 1968. Haddock blocks constituted 45% of total frozen in 1965 as compared with 27% in 1968. In the Maritime Provinces, about 65% of Haddock landings were frozen in 1965 and 1968. The proportion of blocks as percent of total frozen Haddock declined from 42% in 1965 to 26% in 1968. During the same period, frozen fillets increased from 58% to 74%. The situation in Newfoundland is as follows:

	1965 (000 lbs.)	% Total	1968 (000 lbs.)	% Total
Frozen Dressed	-	-	-	-
Frozen Fillets	614	35	325	46
Frozen Blocks	1,159	65	385	54
	1,773		710	

1.10.3 FLOUNDER

During 1968, about 75% of total Flounder landings were utilized in frozen form. The distribution between frozen fillets and blocks on the Atlantic Coast was as follows:

Maritime Provinces	1965 (000 lbs.)	% Total	1968 (000 lbs.)	% Total
Fillets	13,847	74	14,234	82
Blocks	5,603	26	2,424	18
	19,450		16,658	
NEWFOUNDLAND				
Fillets	12,289	50	23,796	80
Blocks	11,497	50	6,401	20
	23,786		113,239	
QUEBEC				
Fillets	751	54	1,543	92
Blocks	650	46	133	80
	1,401		1,676	

1.10.4 OCEAN PERCH

During 1968, 95% of total landings of Ocean Perch on the Atlantic Coast were utilized in frozen form. Fillets constituted 72% (23 million lbs.) of total frozen in 1965 as compared with 88% (49 million lbs.) in 1968. The corresponding proportion for frozen blocks was 28% (9 million lbs.) in 1965, and 12% (6.7 million lbs.) in 1968. In Newfoundland over 80% of the total catch was frozen. The proportion of frozen fillets increased from 69% of total frozen in 1965 to 82% in 1968; and the proportion of blocks decreased from 31% in 1965 to 18% in 1968.

NEWFOUNDLAND	1965 (000 lbs.)	%	1968 (000 lbs.)	%
Frozen Fillets	11,449	69	13,913	82
Frozen Blocks	4,559	31	3,054	18
TOTAL	16,048		16,967	

	1965 (000 lbs.)	%	1968 (000 lbs.)	%
MARITIME PROVINCES				
Frozen Fillets	7,881	83	17,201	89
Frozen Blocks	1,567	17	1,855	10
TOTAL	9,448		19,088	
QUEBEC				
Frozen Fillets	4,064	59	17,346	89
Frozen Blocks	2,783	41	2,244	11
TOTAL	6,847		19,590	

1.10.5 Sticks and Portions

Table 11 provides details of freezings of sticks and portions as well as fish and chips, by month for Canada as whole during 1965-1968.

1.10.6 Groundfish Production Mix

The following figures relative to Cod, Haddock, Ocean Perch and Flounders would indicate the production mix and changes, if any, among provinces during the years 1957 and 1966. More recent figures are not available.

COD - 1966

(% of Total Production)

	N.S.		N.B.		P.E.I.		NFLD.		QUE.	
	1966	1957	1966	1957	1966	1957	1966	1957	1966	1957
Fresh, Round	4.0	6.0	13.7	6.8	11.9	77.1	5.6	4.4	10.9	6.8
Frozen, Round	0.7	0.2	-	1.1	-	-	0.1	-	0.4	1.1
Fresh Fillets	14.4	11.6	0.7	-	-	-	1.9	1.0	0.5	4.2
Frozen Fillets	21.4	14.9	31.0	39.6	57.8	-	8.6	7.0	11.0	5.6
Frozen Blocks	15.0	6.5	32.2	28.9	4.1	-	44.3	15.2	42.4	29.5
Fish Sticks	-	2.0	-	-	-	-	-	-	-	-
Smoked	11.4	4.2	0.2	-	-	-	0.1	0.1	0.2	1.2
Salted	33.1	54.6	22.2	23.6	26.2	22.9	39.4	72.3	34.6	51.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

HADDOCK
(% of Total Production)

	N.S.		N.B.		P.E.I.		NFLD.		QUE.	
	1966	1957	1966	1957	1966	1957	1966	1957	1966	1957
Fresh, Round or Dressed	12.9	2.5	8.3	5.5	-	44.0	-	-	-	-
Frozen, Round or Dressed	-	0.3	-	1.4	-		-	-	-	-
Fresh Fillets	11.4	17.9	0.5	-	-	5.6	0.1	0.1	-	-
Frozen Fillets	66.5	76.9	75.1	93.1	86.4	-	70.3	99.9	64.5	-
Frozen Blocks	9.2	2.4	16.1	-	13.6	-	29.6	-	35.5	-
Smoked	-	-	-	-	-	-	-	-	-	-
Salted	-	-	-	-	-	-	-	-	-	-
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	-

FLOUNDERS
(% of Total Production)

	N.S.		N.B.		P.E.I.		NFLD		QUE.	
	1966	1957	1966	1957	1966	1957	1966	1957	1966	1957
Fresh, Round or Dressed	12.9	2.5	8.3	5.5	-	44.0	-	-	-	-
Frozen, Round or Dressed	-	0.3	-	1.4	-	-	-	-	-	-
Fresh Fillets	11.4	17.9	0.5	-	-	56.0	0.1	0.1	-	-
Frozen Fillets	66.5	76.9	75.1	93.1	86.4	-	70.3	99.9	64.5	-
Frozen Blocks	9.2	2.4	16.1	-	13.6	-	29.6	-	35.5	-
Smoked	-	-	-	-	-	-	-	-	-	-
Salted	-	-	-	-	-	-	-	-	-	-
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

OCEAN PERCH
(% of Total Production)

	N.S.		N.B.		P.E.I.		NFLD.		QUE.	
	1966	1957	1966	1957	1966	1957	1966	1957	1966	1957
Fresh, Round or Dressed	-	3.1	-	-	-	-	-	-	-	-
Frozen, Round or Dressed	-	-	-	-	-	-	-	-	-	-
Fresh Fillets	-	0.4	-	-	-	-	-	-	-	0.3
Frozen Fillets	100.0	96.5	100.0	100.0	-	-	90.7	100.0	93.4	99.7
Frozen Blocks	-	-	-	-	-	-	9.3	-	6.6	-
Smoked	-	-	-	-	-	-	-	-	-	-
Salted	-	-	-	-	-	-	-	-	-	-
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

It will be noted from the above tables that the traditional product mix in terms of frozen fillets and blocks continues to be in vogue. Fresh fillets do not seem to have gained much ground, due, perhaps, to the peculiarities of the "fresh" trade, such as the need for quick transportation to markets, proper packaging, icing, etc.

SECTION V

GROUNDFISH MARKET IN THE UNITED STATES

1. Size of the Market:

The total Groundfish consumption in the United States increased from 327 million pounds in 1958 to 536 million pounds in 1968: an annual increase of 5.1% (Table 12).

Groundfish consumption is here taken to comprise (a) Fresh and Frozen Cod Fillets; (b) Fresh and Frozen Haddock Fillets; (c) Fresh and Frozen Flounder Fillets; (d) Fresh and Frozen Ocean Perch Fillets: and, (e) Frozen Blocks and Slabs used in the manufacture of Fish Sticks and Portions. The five year average growth rates in total U.S. Groundfish consumption or disappearance were as follows:

	5 Year Moving Annual Average Increase %
1958-63	4.1
1959-63	5.9
1960-65	7.5
1961-66	5.7
1962-67	3.4
1963-68	6.0
	10 Year Annual Average Increase
1958-68	5.1

Per capita consumption of Groundfish 6/ increased from 1.874 lbs. in 1958 to 2.672 lbs. in 1968, an average yearly increase of 3.6% The five year average annual growth rate in per capita consumption was (Table 13):

	5 Year Moving Annual Average Increase in per capita consumption of Groundfish %	
1958-63	2.4	
1959-64	4.3	
1960-65	7.5	
1961-66	4.3	
1962-67	2.2	
1963-68	5.3	
1958-68	3.6	10 Year Average

The Council of Economic Advisors in the United States, estimates the U.S. population (Projection D series) to be 204.9 million, 215.4 million and 227.7 million in 1970, 1975 and 1980 respectively. Assuming

6/ Excludes the consumption of Sport Fish.

that per capita consumption of Groundfish would increase by 3.6% per annum, we would project the total consumption of Groundfish to be 740 million pounds in 1975, and 930 million pounds in 1980. This implies an annual growth rate in total consumption of 4.6% between 1968 and 1975, and about 4.7% between 1975 and 1980. The following table provides projections based on alternative rates of growth:

	Total U.S. Groundfish Consumption based on Average Annual Growth Rate		
1968	538.0	538.0	538.0
	6%	5%	4.5%
1970	604.5	601.1	587.5
1975	808.9	793.1	732.1
1980	1,082.5	1,046.4	912.3

Figure 3 provides a comparative view of these projections.

(see Figure 3 and 4)

The long term average increase (10 years) in the consumption of Groundfish is 3.6% per year. This figure however conceals two trends: an accelerating growth rate in Groundfish consumption (1958-65) and a sudden break in the growth rate associated with the Bishop's decree, (Dec. 1966), which made a sudden drop in consumption of approximately 6% during the 1966-67 year. The long term trend to higher Groundfish consumption seems to have reasserted itself (see 1963-68 average). Since the long term (1958-68) average annual increase of 3.6% incorporates the once in a lifetime effect of the change in Catholic fasting observances it is likely that growth rates during the next decade will be higher than in the past one. Thus, our estimate of the size of the U.S. Groundfish market during 1970's is at best a conservative one. The actual size of the U.S. Groundfish market during the seventies would exceed the projected size. That is, the per capita consumption of Groundfish is more likely to grow at the rate of 4.3% per annum, rather than at the projected 3.6% per annum. On this basis, the U.S. Groundfish market is likely to be 608 million in 1970, 788 million in 1975 and 1,028 million in 1980. Some factors that will most likely stimulate the growth of the U.S. market are (a) the advent of new products which tend to induce a higher rate of fishery product consumption, e.g., fish and chips, TV dinners, etc.; (b) increased promotion and advertising and the supporting merchandising activities at the final consumer level, based on the demonstrated health and nutritional aspects of fishery products. Advertising and promotion with respect to fishery products have received relatively little attention so far.

Table 14 presents the supply and utilization of Commercial Food Fish in the United States during the 1957-68 period in terms of

(a) Fresh and Frozen;

(b) Canned;

(c) Cured; and

(d) Total Fish.

According to the Table, the total per capita consumption of commercial food fish, fresh and frozen, canned, cured, etc., was as follows:

	Fresh and Frozen (lbs.)	Canned (lbs.)	Cured (lbs.)	Total (lbs.)
1947-49	5.9	4.2	0.6	10.7
1957-59	5.7	4.2	0.6	10.5
1960	5.7	4.0	0.6	10.3
1961	5.9	4.3	0.5	10.7
1962	5.8	4.3	0.5	10.6
1963	5.8	4.4	0.5	10.7
1964	5.9	4.1	0.5	10.5
1965	6.0	4.4	0.5	10.9
1966	6.0	4.3	0.5	10.8
1967	5.9	4.3	0.5	10.7
1968	6.2	4.4	0.5	11.1

2. The Cod Market

2.1 Apparent Consumption:

Table 15 presents the sources and disposition of Fresh and Frozen Cod fillets in the U.S. during 1956-68. It will be noted that the total apparent consumption which was at the 66 million pound level in the late 50's declined to around 49 million pounds during 1960-1966. Since 1967, consumption appears to have picked up momentum. The total Cod fillet consumption in 1967 and 1968 was 55 million pounds and 63 millions, respectively. On a per capita basis, the consumption of Cod fillets was 0.38 lbs. in 1959 as compared with 0.25 lbs. in 1966 and 0.31 lbs. in 1968.

2.2 Cod Blocks and Fillets:

The Cod block market should be considered along with the Cod fillet market in order to obtain a total view of the supply and demand for Cod. The estimated total disappearance of Cod blocks and Cod fillets in the U.S. during 1958-1968 was as follows:

	U.S. Cons. of Cod Blocks 7/ (million lbs)	U.S. Cons. of Fresh & Frozen Cod Fillets (million lbs)	Total Cons. (mil.lbs)
1958	54	66	120
1959	59	66	125
1960	67	51	118
1961	95	49	144
1962	104	47	151
1963	115	49	164
1964	131	51	182
1965	150	49	199
1966	161.0	49	210
1967	149.0	55	204
1968	190.0	63	253

2.3 Imports:

The following table indicates the relative position of U.S. landings and U.S. imports in relation to total supply and consumption of Cod fillets:

7/ Estimated to be 75% of total frozen blocks and slabs disappearance in the U.S.

	U.S. Landings as % of Total U.S. Supply	U.S. Imports as % of Total U.S. Consumption
	%	%
1956	22.1	79.8
1957	20.9	71.6
1958	23.7	73.5
1959	23.7	83.2
1960	25.0	58.2
1961	28.5	65.7
1962	28.8	70.8
1963	26.9	66.6
1964	25.6	66.1
1965	27.1	68.6
1966	24.6	83.3
1967	27.2	58.4
1968	24.8	73.9

During the 1962-68 period, fresh and frozen fillets of cod constituted about 12% of the total U.S. Groundfish market. Assuming that the relative share of Cod of the total U.S. Groundfish market will continue at this level, the following estimates of the size of the U.S. Cod market can be made (Table 16):

1970 - 70 million lbs.

1975 - 88 million lbs.

1980 - 112 million lbs.

With the advent of products such as fish and chips, it is all the more likely that Cod will gain a larger proportion of the total U.S. Groundfish market provided there is adequate supply forthcoming.

The import share[8/] of major suppliers of Cod fillets in the U.S. markets were as follows:

	Canada (%)	Iceland (%)	Norway (%)	Denmark (%)	Others (%)
1956	76.0	15.4	2.1	4.4	2.1
1957	78.8	14.0	1.5	4.4	1.3
1958	74.7	16.7	0.6	7.4	0.6
1959	51.8	31.3	5.6	10.2	1.1
1960	73.0	25.0	0.3	0.7	1.0
1961	64.0	30.8	0.9	4.0	0.3
1962	64.8	25.8	3.0	5.2	1.2
1963	62.7	30.0	1.8	4.9	0.6
1964	64.8	30.7	0.9	2.4	1.2
1965	66.8	25.2	0.3	6.2	1.5
1966	64.0	24.5	0.7	9.1	1.7
1967	67.0	25.2	0.9	5.3	1.6
1968	55.8	34.5	1.5	5.8	2.4
Jan-June 1969	52.5	33.4	7.3	4.9	1.8

Details relating to the imports of Cod Blocks by country of origin are given in Table 17. The share of individual countries of the total U.S. imports of Cod Blocks has undergone some significant changes during 1968 and 1969:

COD BLOCKS

Import Share of Suppliers

	Canada %	Iceland %	Norway %	Denmark & Greenland %	Poland %	West Germany %	Others %
1964	59.9	21.9	5.9	8.9	--	1.4	2.0
1965	52.1	23.2	5.0	14.5	1.9	2.3	1.0
1966	43.8	19.6	5.1	21.5	7.2	2.0	0.8
1967	45.8	15.1	8.0	21.0	7.6	1.0	1.5
1968	36.8	22.3	14.0	16.3	6.8	0.8	3.0
Jan-June 1969	27.2	14.7	37.8	7.6	12.5	--	--

[8/] Imports from individual countries as percent of total U.S. imports of Cod fillets.

Thus, in terms of both Cod fillets and Cod blocks, the Canadian share of the U.S. market declined markedly during 1968 and the first six months of 1969. The share of Iceland, Norway and Poland underwent a substantial increase.

COD FILLETS AND COD BLOCKS

U.S. Import Shares in 1967-69

(%)

	Canada		Iceland		Norway		Poland	
	B	F	B	F	B	F	B	F
1967	45.8	67.0	15.1	25.2	8.0	0.9	7.6	--
1968	36.8	55.8	22.3	34.5	14.0	1.5	6.8	--
1969*	27.2	52.5	14.7	33.4	37.8	7.3	12.5	--

* First six months.

Up to 1965, Poland's share of the total imports of Cod Blocks into the U.S. was less than 2%; during 1966-68, it moved to over 7%. During the first six months of 1969, the share of Poland was about 13%. The Canadian share of the total U.S. Cod Block imports hit an all-time low in 1968, 36.8% and during the first six months of 1969, it was at a low 27.2%. In contrast, the Norwegian and Icelandic shares have increased markedly.

2.4 TOTAL SUPPLY AND DEMAND FOR COD IN THE U.S.

2.4.1 World Supply:

Table 18 gives the total landings of Atlantic Cod, broken down by major suppliers, expressed in terms of round weight. The following table expresses these landings in fillet weight.[9/]

9/ The factor used to convert round weight (live weight) to fillet weight was .27; that is 100 lbs. of live weight Cod would yield 27 lbs. of fillets.

TOTAL LANDINGS OF ATLANTIC COD BY COUNTRY

(in fillet weight - million lbs.)

	Canada	Ice-land	Norway	Den-mark	Green-land	Pol-land	West Ger-many	Others	Total
1958	172.0	176.2	222.2	34.6	15.9	23.0	65.3	818.8	1,578.0
1959	207.0	165.7	179.1	39.6	20.3	26.3	54.3	695.5	1,387.8
1960	196.1	173.8	152.5	41.7	20.4	36.5	65.8	848.4	1,535.2
1961	204.2	148.0	206.2	39.0	21.0	24.2	98.8	1,017.1	1,758.5
1962	190.8	132.0	176.4	37.4	21.6	28.1	119.1	1,084.9	1,791.2
1963	198.6	143.1	164.9	41.1	14.4	34.2	123.7	1,044.5	1,764.5
1964	187.8	167.0	133.7	40.6	13.7	31.8	105.0	912.9	1,592.5
1965	186.4	145.2	163.1	47.2	15.0	39.4	124.8	924.3	1,645.4
1966	182.3	137.8	171.2	53.4	17.8	63.0	123.7	959.8	1,709.0
1967	168.9	121.6	173.4	55.6	16.8	69.2	142.4	1,100.5	1,848.4
1968	190.1	139.6	213.3	64.0	12.7	92.3	163.1	1,487.9	2,363.0

A distinction must be made between the total world supply of Cod and that portion of the world supply that is generally available to the United States. The major suppliers of Cod to the U.S. are: Canada, Iceland, Norway, Denmark and Greenland, Poland and West Germany. The supply originating with these countries during the 1958-1968 period was:

(in million pounds of fillet weight)

1958	-	709.2
1959	-	692.3
1960	-	686.8
1961	-	741.4
1962	-	706.3
1963	-	720.0
1964	-	679.6
1965	-	721.1
1966	-	749.2
1967	-	747.9
1968	-	875.1

YEARLY RATE OF CHANGE IN LANDINGS

(%)

	World Landings	Canada	Iceland	Denmark	Greenland	Norway	Poland	West Germany	Seven Countries
1959	-8.9	20.3	-6.0	14.5	27.7	-19.4	14.3	-17.0	-2.4
1960	6.2	-5.3	4.9	5.3	0.5	-15.0	38.8	21.2	-0.8
1961	14.5	4.1	-15.0	-6.5	2.9	35.2	-34.0	50.2	7.9
1962	1.9	-6.6	-10.0	-4.2	2.9	-14.5	16.1	20.5	-4.8
1963	-1.5	4.1	7.7	9.9	-33.3	-6.6	21.7	3.9	1.9
1964	-9.7	-5.4	16.8	-1.3	-4.9	-18.8	-7.0	-15.0	-5.7
1965	3.3	-0.8	-13.0	16.3	9.4	22.0	23.9	18.9	6.1
1966	3.8	-2.2	-5.1	13.1	18.7	5.0	60.0	-0.9	3.9
1967	8.2	-7.4	-12.0	4.1	-5.7	1.3	9.8	15.1	-0.2
1968	27.8	25.5	14.8	15.1	-24.5	23.0	33.4	14.5	17.0

It will be noted that almost all the major suppliers to the U.S. experienced a marked increase in landings during 1968.

The five year growth rate in landings was as follows:

5 Year Moving Annual Average Increase	World Supply (%)	Supply From Seven Countries (%)
1958-63	2.3	0.3
1959-64	2.8	-0.3
1960-65	1.4	5.0
1961-66	-0.5	0.2
1962-67	0.6	1.2
1963-68	6.0	4.0
10year Average 1958-68	4.2	2.2

During the 1958-67 period, world landings of Cod remained at around the 1.6 to 1.7 billion lbs. level (fillet weight). However in 1968, the landings increased to an all-time high level of 2.4 billion lbs. With respect to the seven countries that generally supply the U.S. market, landings reached the 1.5 billion lbs. level in 1968 as compared with 1.1 billion lbs., in 1967 and 1.0 billion lbs. in 1966.

INCREASE IN VOLUME OF LANDINGS OF COD
BETWEEN 1967 AND 1968

- million lbs. -

		% of Total Increase for six countries
Norway	39.9	31.3
Poland	23.1	18.1
Canada	21.2	16.6
West Germany	20.7	16.3
Iceland	18.0	14.1
Denmark & Greenland	4.6	3.6
TOTAL SIX COUNTRIES	127.5	100.0
TOTAL OTHER COUNTRIES	387.4	
TOTAL WORLD	514.9	

Poland has experienced a large increase in landings, from 23 million lbs. in 1958 to 92 million lbs in 1968, an average annual increase of 14.9%. West Germany increased its landings from 65 million lbs., in 1958 to 163 million lbs in 1968, an average annual increase of 9.6%. "Other" countries increased their landings from 869 million lbs. in 1958 to 1,489 million lbs. in 1968, an average annual increase of 5.5%.

The following table indicates the percent distribution of Atlantic Cod landings among "selected" countries, and "other" countries:

PERCENT DISTRIBUTION OF COD LANDINGS

	World Total	Total Six Countries	Total "Other"	Canada	Iceland
1958	100.0	44.9	55.1	10.9	11.1
1959	100.0	49.9	50.1	14.9	11.9
1960	100.0	44.7	55.3	12.8	11.3
1961	100.0	42.1	57.9	11.6	8.4
1962	100.0	39.4	60.6	10.7	7.4
1963	100.0	41.0	59.0	11.3	8.1
1964	100.0	43.0	57.0	11.8	10.4
1965	100.0	44.0	56.0	11.3	8.8
1966	100.0	44.0	56.0	10.7	8.1
1967	100.0	40.5	59.5	9.1	6.6
1968	100.0	37.0	63.0	8.0	5.9

It will be seen from the above that the supply originating with the selected six countries as a percent of total world supply has shown a declining trend during 1967 and 1968. That is, the supply in those countries that normally export to the U.S. is becoming a lower and lower percentage of the total world supply. At the end of 1968, it was 37% of world total as compared with about 44% during most of the sixties.

It is interesting to look at the percent distribution of supply between each of the six selected countries.

	Total Supply in Six Countries	Canada	Ice-land	Nor-way	Green-land & Denmark	Pol-and	West Ger-many
1958	100.0	25	25	31	7	3	9
1959	100.0	29	24	26	9	4	8
1960	100.0	30	25	22	8	5	10
1961	100.0	28	20	28	8	3	13
1962	100.0	27	19	25	8	4	17
1963	100.0	29	20	23	8	5	17
1964	100.0	27	25	20	8	5	15
1965	100.0	26	20	23	9	5	17
1966	100.0	24	18	23	10	8	19
1967	100.0	23	16	23	10	9	19
1968	100.0	21	16	24	9	11	19

During the 1958-68 period, the percent share of Poland and West Germany of the total Cod landings in six selected countries increased substantially. For Poland, it increased from 3% in 1958 to 11% in 1968; West Germany from 9% in 1958 to 19% in 1968.

The percent share of Iceland and Canada has declined, particularly, since 1966. Denmark and Greenland have maintained their shares.

SUPPLY OF COD FROM SELECTED GROUPS OF COUNTRIES

(million lbs. - fillet weight)

	Canada, Ice-land, Norway	Denmark & Greenland	Poland and West Germany
1958	570.4	50.5	88.3
1959	551.8	59.9	80.6
1960	522.4	56.9	102.3
1961	558.4	60.0	123.0
1962	500.1	59.0	147.2
1963	506.6	55.5	157.9
1964	488.5	54.3	136.8
1965	494.7	62.2	164.2
1966	491.3	71.2	186.7
1967	463.9	72.4	211.6
1968	543.0	76.7	255.4

	(%)	(%)	(%)
1958	81	7	12
1959	79	9	12
1960	77	8	15
1961	76	8	16
1962	71	8	21
1963	72	8	22
1969	72	8	20
1965	69	9	22
1966	65	10	25
1967	62	10	28
1968	61	9	30

The distribution of landings between Canada and five countries (Iceland, Norway, Denmark, Greenland, Poland and West Germany) which generally supply to the U.S. was (million lbs. - fillet weight)

	Canada	Other Five Countries
1958	172.0	537.2
1959	207.0	485.3
1960	196.1	490.7
1961	204.2	537.2
1962	190.8	515.5
1963	198.6	521.4
1964	187.8	491.8
1965	186.4	534.7
1966	182.3	566.9
1967	148.9	579.0
1968	190.1	685.0

The total supply in Iceland, Norway, Denmark, Greenland, Poland and West Germany is almost four times the size of supply from Canada.[10/]

10/ Therefore, it should be difficult for Canada alone to set prices in the U.S. market.

2.4.2 World Cod Supply in Relation to the U.S. Market:

The following table attempts to relate size of the U.S. market to the available supply of Cod, for each of the years 1958 to 1968. Projections are made for the years 1970, 1975 and 1980.

RATIO OF WORLD SUPPLY OF COD TO CONSUMPTION OF COD IN THE U.S. MARKET.

	World	Canada	Iceland	Norway	Denmark & Greenland	Poland	West Germany	Total Six Countries
1958	13.6:1	1.4:1	1.5:1	1.9:1	0.4:1	0.2:1	0.5:1	5.9:1
1959	11.1:1	1.7:1	1.3:1	1.4:1	0.5:1	0.2:1	0.4:1	5.5:1
1960	13.0:1	1.7:1	1.5:1	1.3:1	0.5:1	0.3:1	0.6:1	5.8:1
1961	12.2:1	1.4:1	1.0:1	1.4:1	0.4:1	0.2:1	0.7:1	5.1:1
1962	11.9:1	1.3:1	0.9:1	1.2:1	0.4:1	0.2:1	0.8:1	4.7:1
1963	10.7:1	1.2:1	0.8:1	1.0:1	0.3:1	0.2:1	0.8:1	4.4:1
1964	8.8:1	1.0:1	0.9:1	0.7:1	0.3:1	0.2:1	0.6:1	3.7:1
1965	8.3:1	0.9:1	0.7:1	0.8:1	0.3:1	0.2:1	0.6:1	3.6:1
1966	8.1:1	0.9:1	0.7:1	0.8:1	0.3:1	0.3:1	0.6:1	3.6:1
1967	9.1:1	0.8:1	0.6:1	0.9:1	0.4:1	0.3:1	0.7:1	3.7:1
1968	9.3:1	0.8:1	0.6:1	0.8:1	0.3:1	0.4:1	0.6:1	3.5:1
1970	7.2:1							2.7:1
1975	5.6:1							2.1:1
1980	4.4:1							1.6:1

Over the long term, the ratio of supply to the U.S. market is showing a declining trend, indicating that the U.S. market is growing faster than available supply. For example, the ratio of world landings (expressed in fillet weight) to the U.S. market was 13.2:1 in 1958. This has gradually declined over the years; in 1968, the ratio was 9.3:1. Similarly, the ratio of landings in six major supplying countries (Canada, Iceland, Norway, Denmark , Greenland, Poland and West Germany) to the U.S. market declined from 5.9:1 in 1958 to 3.5:1 in 1968. We estimate this ratio to decline to 2.7:1 by 1970, 2.1:1 by 1975 and 1.6:1 by 1980. This is based on the assumption that only those countries that have been traditionally supplying the U.S. will continue to

Supply to the U.S. market. 11/

The alternative assumption, (that the ratio of world supply to the U.S. market would remain stable, or increase) would require that the increases experienced in 1967 and 1968 are maintained. This seems unlikely considering the biological limitation on the total supply of Cod, and the short term trends that resulted in exceptional landings in 1968 (the diversion to Cod due to the Herring failure in the eastern Atlantic, a high year in Cod supply, and the expansion in catch effort due to the lag period in vessel construction.

The figure given below depicts the configuration of the projected U.S. Cod market in relation to supply.

(See Figure 5)

11/ Due to increasing pressure on supply, it is likely that American buyers will turn to other countries which have relatively heavy landings of Cod such as Spain (196 million lbs. in 1968), U.K. (267 million lbs. in 1968). France (123 million lbs. in 1968) and even Russia (587 million lbs. in 1968).

We estimate the consumption of Cod in the U.S. during 1970-80 to be as follows (vide Table 12).

	Cod Fillets Fresh & Frozen (million lbs.)	Cod Blocks (million lbs.)	Total (million lbs.)
1970	70.0	209.0	279.0
1975	88.0	276.0	364.0
1980	112.0	363.0	475.0

The projected U.S. Cod market in relation to the estimated size of world Cod landings is (in fillet weight):

	The U.S. Cod Market (million lbs.)	World Landings (million lbs.)	Landings in Six Countries (million lbs.)
1970	279	2,000	740
1975	364	2,050	758
1980	475	2,075	768

2.4.3 Canadian Exports of Cod to the U.S.:

The Canadian exports of fresh and frozen cod fillets were 26 million lbs., in 1968. Assuming that Canada would, as a target, plan to maintain a 65% share of the total U.S. imports of fresh and frozen cod fillets

then, it will have to export to the U.S. the following quantities of fillets: (See also Table 16)

1970 - 32 million lbs.

1975 - 40 million lbs.

1980 - 51 million lbs.

That is, by 1980, Canada will have to virtually double its exports of fillets. As regards Cod blocks, the estimated U.S. Cod block market during 1958-80 would be as follows:

	Estimated U.S. Consumption of Cod Blocks	Actual Cod Block Imports From Canada	Canada's Share
1958	54	--	--
1959	59	--	--
1960	67	--	--
1961	95	--	--
1962	104	--	--
1963	116	--	--
1964	131	65	49.6
1965	150	69	46.0
1966	161	58	36.0
1967	149	54	36.0
1968	190	65	34.2
1970	209	63	30.0 (target)
1975	276	83	30.0 (target)
1980	303	109	30.0 (target)

If, as a target, Canada would like to maintain at least a 30%[12/] share of the U.S. Cod block market, then it will have to export 63 million lbs., and 83 million lbs., and 109 million lbs., in 1970, 1975 and 1980, respectively.

That is, the total Cod exports (fillets and blocks) from Canada would have to be: (million lbs.)

	Fillets	Blocks	Total
1964	22	65	87
1965	23	69	92
1966	26	58	84
1967	22	54	76
1968	26	65	91
1970	32	63	95
1975	40	83	123
1980	51	109	160

12/ 30% would imply that efforts will be made by the producers in Canada to reduce the proportion of Cod going into blocks and increase the proportion moving into fillets.

To achieve these targets Canada would have to export 95 million lbs., 123 million lbs., and 160 million lbs., of Cod during 1970, 1975 and 1980, respectively.

	Total Can. Supply of Cod (live weight-million lbs.)	Portion of Supply used For Salting (live weight -million lbs.)	%	Supply Available for Fresh & Frozen Fillets & Frozen Blocks (live weight - million lbs.)
1958	634.5	n.a.		---
1959	766.8	n.a.		---
1960	726.4	n.a.		---
1961	756.4	n.a.		---
1962	706.6	335.8	47.5	370.8
1963	735.5	348.2	47.3	387.3
1964	695.4	306.4	44.1	389.0
1965	690.5	247.3	35.8	443.2
1966	675.3	252.2	37.3	423.1
1967	625.5	307.6	49.2	317.9
1968	704.0	n.a.	--	---

The available supply of Cod in Canada for fillets (fresh and frozen) and frozen blocks and slabs may be expressed in fillet weight as follows: (million lbs.)

	Supply Available for Fillets & Blocks (live weight)	Corresponding Fillet Weight
1962	371	100
1963	387	105
1964	389	105
1965	443	120
1966	423	114
1967	318	86

	Available Supply in Fillet Weight (millions lbs.)	Can. Exports of Fillets & Blocks to the U.S. (million lbs.)	Canadian Exports as % of Supply %
1962	100	n.a.	---
1963	105	n.a.	---
1964	105	87	83
1965	120	92	77
1966	114	84	74
1967	86	76	88
1970	126 (required)	95 (target)	75 (target)
1975	164 (required)	123 (target)	75 (target)
1980	213 (required)	160 (target)	75 (target)

That is, in order to be able to export 95 million lbs., 123 million lbs., 160 million lbs., of fillets and blocks of Cod (fresh and frozen) in 1970, 1975 and 1980 respectively, and to maintain a 75% relationship between available supply and export to the U.S., the supply will have to increase from 85 million lbs., in 1967 to 126 million lbs., in 1970, 164 million lbs., in 1975 and 213 million lbs., in 1980.

It is likely that on account of possible Canadian domestic market expansion, the percentage of exports of Cod to supply be closer to the 70% than the indicated target of 75%.

Cod landings in the 1970's are not likely to exceed 700 million lbs., (in live weight) in Canada. Assuming that, as compared with the previous years, only 30% of landings are salted, then the approximate live weight available for fresh and frozen fillets and blocks would be: (live weight)

	Total Landings	Used for Salting (30%)	Supply Available for Fillets & Blocks
1970	705	212	493 (133 fillet weight)
1975	710	213	497 (134 fillet weight)
1980	705	212	493 (133 fillet weight)

	Possible Available Supply of Cod for Fillets and Blocks 13/	Required Supply of Cod for Fillets & Blocks
	(million lbs. - fillet weight)	(million lbs., - fillet weight)
1970	133	126
1975	134	164
1980	133	213

13/ After making allowances for salting (30% of landings). In Iceland, during 1968, 28% of cod landings were salted, as compared with 36% in 1965, 26% in 1966, and 19% in 1967. The frozen fillet utilization accounted for 35% in 1965, 33% in 1966, 1967 and 1968.

In other words, in order to export the target volumes of Cod fillets and blocks to the U.S., the landings of Cod will have to be higher than 700 million lbs., in the 1970's. Even if Cod for salting were to be phased out completely there would be a short-fall of fresh and frozen Cod supplies by 1980, unless landings increased beyond 700 million lbs.

HADDOCK

Details concerning the world landings of Haddock, U.S. consumption of Haddock and U.S. imports of Haddock fillets and blocks are given in Tables 19 to 22. The U.S. per capita consumption of Haddock declined during the 1956-68 period. The total available supply of Haddock fillets in the U.S. market has declined from 85 million lbs., in 1956 and 1957 to 70 million lbs., in the late sixties. During 1968, the total supply was only 58 million lbs. The U.S. landings of Haddock has shown a declining trend: 53 million pounds, in 1956 and 25 million pounds, in 1968. Imports into the U.S. have remained more or less stable during 1958-67; in 1968 imports increased by almost 6 million lbs., over the previous years. (Table 20). The total consumption of Haddock fillets in the U.S. is expected to be around 58 million lbs., in the 1970's.

The world landings of Haddock (Table 19) were over 1 billion lbs., in 1961; it increased to 1.6 billion lbs., by 1965, and declined to 1.1 billion lbs. in 1967.

Canada controls the major share of fillet imports 14/ into the U.S., almost 70% during Jan-June 1969, as compared with 63% during 1968 (Table 21). Iceland is the second largest exporter of Haddock fillet into the U.S. and has over 12% of the U.S. import share.

Imports of Haddock blocks amounted to about 24 million lbs., in 1968, 45% of which originated from Iceland; 21% from Canada and 22% from Norway (Table 22).

14/ Includes Hake, Cusk and Pollock.

ESTIMATED U.S. CONSUMPTION OF HADDOCK FILLETS AND BLOCKS

(million lbs., in fillet weight)

	Fillets	Blocks (est.)[16]	Total U.S. Consumption	Supply of Haddock from Five Countries[15]	World Supply
1958	63.2	--			
1959	56.7	--			
1960	62.0	--			
1961	65.8	--			
1962	72.6	--			
1963	63.9	--			
1964	64.0	44.0	108.0	148	363
1965	67.7	46.0	113.7	150	461
1966	66.9	47.0	113.9	145	450
1967	57.0	42.0	99.0	109	298
1968	53.3	46.0	99.3	n.a.	n.a.

RATIO OF SUPPLY TO THE U.S. MARKET

	Supply From Five Countries to U.S. Market	World Supply to U.S. Market
1964	1.4:1	3.4:1
1965	1.3:1	4.1:1
1966	1.3:1	4.0:1
1967	1.1:1	3.0:1

It will be seen from the above that the world supply at present is only about three times the size of the U.S. market; in terms of supply originating with countries that normally export to the U.S., the ratio was 1.1:1, only.

It has not been possible to develop data on the portion of Canadian Haddock landings that is exported

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15/ Iceland, Canada, Norway, Denmark and West Germany.

16/ No data on Haddock block consumption are available; it is assumed that the consumption of blocks is twice the amount of U.S. imports of Haddock blocks.

to the U.S. The Canadian export data includes besides Haddock, Cask and Hake.

2.6 FLOUNDERS

Particulars regarding the U.S. Flounder market[17] and the U.S. imports of Flatfish blocks are given in Tables 23 to 25.

The per capita U.S. consumption of Flounder has increased during the 1958-1968 period at an average rate of 3.7%. In volume terms, total consumption of fillets increased from 58 million lbs. in 1958, to 95 million lbs. in 1968. We estimate the total consumption of fillets to be around 105 million lbs., in 1970, 133 million lbs. in 1975, and 169 million lbs. in 1980. Imports of fillets have increased substantially over the years from 13 million lbs. in the late 50's, to almost 40 million lbs. at the end of 1968. The U.S. landings of Flounder fillets accounted for 68% of total supply in the U.S. in 1958 as compared with 51% in 1968. Imported fillets constituted 26% of total consumption in 1958 as compared with 42% in 1968. The U.S. market is, undoubtedly, more dependent upon imports today than the 50's. Almost 98% of total Flounder fillet imports originates with Canada; the same is true of Flounder blocks. In order to continue to maintain this share, Canada will have to export to the U.S. 44 million lbs., of Flounder fillets in 1970, 57 million lbs., in 1975 and about 75 million lbs., in 1980.

17/ Total world landings of Flounder are not readily available.

	Can. Landings of Flounder[18] (million lbs. in fillet weight)[20]	U.S. Consumption of Flounder Fillets[19] (million lbs., in fillet weight)	Ratio of U.S. Market to Can. Landings
1958	24.5	57.8	2.4:1
1959	26.5	55.8	2.1:1
1960	35.5	60.3	1.7:1
1961	31.1	65.2	2.1:1
1962	29.6	71.3	2.4:1
1963	36.4	75.0	2.1:1
1964	46.9	80.7	1.7:1
1965	58.8	87.9	1.5:1
1966	67.5	90.6	1.3:1
1967	74.1	84.9	1.1:1
1968	77.3	95.4	1.2:1

	Can. Landings of Flounder (million lbs. in fillet weight)	Can. Exports of Flounder Fillets to the U.S.[21] (million lbs. in fillet weight)	Exports of Flounder Fillets to U.S. as % of Landings %
1958	24.5	14.4	59
1959	26.5	14.0	53
1960	35.5	18.3	52
1961	31.1	17.7	57
1962	29.6	17.6	59
1963	36.4	15.4	42
1964	46.9	20.6	44
1965	58.8	23.2	39
1966	67.5	33.9	50
1967	74.1	32.9	44
1968	77.3	38.4	50

18/ Mainly from the Atlantic Coast.

19/ Data on the U.S. Consumption of Flounder blocks are not available.

20/ 0.29 was the factor used to convert gutted, head-on Flounder to fillet weight.

21/ Excludes Flounder blocks; data on blocks not available.

2.7 OCEAN PERCH

Tables 26, 27 and 28 deal with the U.S. market for U.S. imports and world supply of Ocean Perch during 1956-1968. The total consumption of Ocean Perch fillets in the U.S. has remained somewhat stationary during the 1956-1967 period, at the level of around 62 million lbs., (with the exception of 1963 and 1964). In 1968, the total consumption increased to a new level of 71 million lbs., an increase of 11% over 1967. We estimate the total consumption of fillets to be about 79 million lbs. in 1970, 99 million lbs. in 1975, and 127 million lbs., in 1980. During the 1956-1968 period, the U.S. landings of Ocean Perch have declined substantially from 48 million lbs. to 22 million lbs. Imports have, on the other hand, increased from 22 million lbs. to over 50 million lbs. The Canadian share of total U.S. imports of Ocean Perch fillets was over 90% in recent years. In order to maintain this share of the total U.S. import market, Canada will have to export 43 million lbs. in 1970, 59 million lbs. in 1975, and 69 million lbs. in 1980 (Table 27).

The world landings in fillet weight of Ocean Perch (Red Fish) was 198 million lbs. in 1967 (Table 28). During certain years, the landings were in the range of over 220 million lbs. West Germany has the highest percentage of total world landings in Ocean Perch; Canada being the second.

	World Supply	Supply from Five Countries[22] (million lbs., in fillet weight)	Supply From Canada	Can. Exports of Fillets to U.S.	Exports as % of Canadian Supply %
1958	309.6	161.3	15.3	14.8	96.7
1959	322.9	145.8	11.3	10.9	96.5
1960	272.3	123.3	11.6	10.9	94.0
1961	225.4	113.4	14.1	12.9	91.5
1962	193.0	110.0	15.6	14.4	92.3
1963	212.9	126.6	21.1	16.2	77.0
1964	231.3	130.0	20.7	16.9	82.0
1965	235.9	141.4	31.3	22.1	71.0
1966	221.2	136.9	45.8	37.7	82.0
1967	197.9	131.6	43.5	33.2	76.0

RATIO OF SUPPLY TO U.S. OCEAN PERCH FILLET MARKET[23]

	World Supply to the U.S. Market	Canadian Supply to the U.S. Market
1958	4.9:1	0.23:1
1959	4.8:1	0.18:1
1960	4.5:1	0.19:1
1961	3.6:1	0.22:1
1962	3.2:1	0.26:1
1963	3.7:1	0.36:1
1964	4.1:1	0.37:1
1965	3.7:1	0.50:1
1966	3.3:1	0.68:1
1967	3.1:1	0.68:1

The above ratio relating to Canada and the U.S. market would indicate that the Canadian supply of Ocean Perch is rising much faster than the U.S. market. In order to continue to maintain a 90% share of the U.S. Ocean Perch fillet market, Canada will have to

[22] Canada, West Germany, Iceland, Norway and Poland.

[23] In considering the size of the U.S. market in relation to Supply, the stock levels (beginning and ending) have been ignored in this and all other preceding calculations.

export 43 million lbs., of fillets in 1970, 53 million lbs., in 1975 and 69 million lbs., in 1980.

2.8 FROZEN GROUNDFISH BLOCKS AND SLABS

Tables 29 to 36 deal with the U.S. consumption, U.S. imports and the origin of U.S. imports of Groundfish, frozen blocks and slabs. Whenever possible, 1969 data have been added. The U.S. freezing of blocks and slabs accounted only for 1.4% of total consumption in 1968. This has been the general pattern in the past and is most likely to be so in the future. These imports account for almost the entire consumption of blocks and slabs in the U.S.

The five year growth rates, during 1958-1968, in the total U.S. consumption of blocks and slabs were as follows:

	5 Year Moving Average Annual Growth Rate
1958-63	16.5
1959-64	17.1
1960-65	17.7
1961-66	11.1
1962-67	7.5
1963-68	10.4
(1958-1968 10 Year Average	13.4)

During the 1958-1968 period, with the exception of 1967, the total consumption of blocks and slabs has steadily increased. The annual percent rate of change in total consumption of blocks was:

	%
1959	9.7
1960	12.6
1961	43.0
1962	9.1
1963	11.0
1964	13.1
1965	15.1
1966	7.1
1967	-7.5
1968	27.3

Table 30 indicates the monthly apparent consumption of frozen blocks and slabs in the U.S., taking into account the beginning inventory, imports and ending inventory, for the 1964-1969 (up to June) period.

	Average Monthly Apparent Consumption in the U.S. (million lbs.)	% Annual Rate of Growth of Apparent Monthly Consumption
1964	14.3	--
1965	16.5	15.4
1966	17.4	5.5
1967	16.0	-8.1
1968	20.7	29.4
Jan-June 1969	21.1	1.9

It will be seen that with the exception of 1967, average monthly apparent consumption of frozen blocks and slabs have steadily risen in the U.S.

The relative shares of major suppliers of the total U.S. block and slab market are given in Table 31. During 1968, almost all competitors improved their share of the U.S. market vis à vis Canada.

The U.S. imports of frozen blocks and slabs comprises: (a) Cod blocks; (b) Flatfish blocks; (c) Haddock blocks; (d) Ocean Perch blocks; (e) Pollock blocks; and (f) blocks N.E.S. During 1964-1968, the approximate breakdown of total imports among these categories was as follows (Table 32):

	Percent of Total U.S. Block Imports
Cod Blocks	65%
Flatfish Blocks	6%
Haddock Blocks	10%
Pollock Blocks	5%
Fish Blocks N.E.S.	14%

The composition of block and slab imports from Canada, Iceland, Norway, Denmark and Greenland are

given in Tables 32 to 36. It appears that about 60% of the Canadian exports to the U.S. of blocks consist of Cod blocks, as compared with about 65% from Iceland, 85% from Denmark and Greenland and 70% from Norway. Table 37 presents the volume of U.S. imports of frozen blocks and slabs N.E.S., during 1964-1969, by major country of origin.

2.9 Fish Sticks and Portions

Tables 38 and 39 deal with the U.S. consumption and production of Fish Sticks and Portions. The per capita consumption of Fish Sticks and Portions has steadily risen during 1958-1968 and this trend is expected to continue. Imports constitute a very negligible portion of total consumption (about 0.3% in 1968). In volume terms total consumption increased from 82 million lbs. in 1958 to 262 million lbs. in 1968. The per capita consumption was 0.47 lbs. in 1958 and 1.3 lbs. in 1968. We estimate the per capita consumption in 1975 to be 1.8 lbs. (Table 38). Table 39 provides data on the production of Sticks and Portions in the U.S. on a monthly basis during 1964-1969.

The average monthly production of Sticks and Portions during these years was:

	Sticks (million lbs.)	Portions (million lbs.)
1964	6.1	8.8
1965	6.9	11.7
1966	6.8	12.3
1967	6.1	13.2
1968	7.6	15.0

TOTAL PRODUCTION OF STICKS & PORTIONS

	Sticks	Portions (million lbs.)	Total
1964	73.5	105.6	179.1
1965	82.5	140.5	223.0
1966	81.4	147.6	229.0
1967	73.9	158.4	232.3
1968	91.5	179.4	270.9

2.10 Canadian Groundfish Exports to the U.S. in the Seventies

Tables 40 to 45 provide an overall view of the total Groundfish imports into the U.S. by species as well as by detailed product classification. Against this background of the U.S. Groundfish market, it is useful to take a look at the potential volume of Groundfish exports from Canada to the U.S. during the 1970's, and to examine the feasibility of such export volumes. The U.S. market (apparent consumption) of fresh and frozen Cod fillets, Haddock fillets, Flounder fillets, Ocean Perch fillets and frozen blocks from 327 million lbs. in 1958 to 536 million lbs. in 1968 and is estimated to be as follows during the seventies:

1970 590 million lbs.

1975 747 million lbs.

1980 952 million lbs.

During the 1962-68 period the Canadian exports of the same Groundfish items to the U.S. increased from 142 million to 233 million.

	U.S. Market for Groundfish	Canadian Exports to the U.S. of Groundfish	Percent Share
1962	390	142	36
1963	400	139	35
1964	426	190	45
1965	465	198	43
1966	488	210	43
1967	463	197	43
1968	536	233	44
1970	590	266	45 (target)
1975	747	336	45 (target)
1980	952	438	46 (target)

The Canadian share of the U.S. market has been about 44%. In order to maintain a 45% share of the U.S. market in 1970 and 1975 and 46% share of the market in 1980, Canada will have to export 266 million lbs. in 1970, 336 million lbs. in 1975 and 433 million lbs. in 1980. Assuming the present mix of production, the following could be the composition of exports:

	Total	Cod Fillets	Haddock Fillets	Ocean Perch	Flounder	Blocks
			- million of lbs.-			
1970	266	32	15	43	43	133
1975	336	40	15	53	56	172
1980	438	51	16	69	73	229

RATIO OF CANADIAN EXPORTS TO CANADIAN LANDINGS

	Exports	Total Landings - Fillet Weight (million lbs.)	Exports as % of Landings
	-	-	
1962	142	250	52
1963	139	289	48
1964	190	290	66
1965	198	313	63
1966	210	337	62
1967	197	327	60
1968	233	351	66
1970	266	391	68 (target)
1975	336	480	70 (target)
1980	438	608	72 (target)

Groundfish exports from the Atlantic Coast as a percent of Groundfish landings (fillet weight) was 52% in 1962 and 66% in 1968. In order to maintain a ratio of exports to landings at 68%, 70% and 72% in 1970, 1975 & 1980 respectively, the fillet weight of landings of Cod, Haddock, Ocean Perch and Flounder will have to increase from 351 million lbs. in 1968 to 608 million lbs. in 1980, an average annual increase of 4.5% during 1970-80, as compared with

3.5% during 1958-68.

2.11 The U.S. Food Service Market

In 1961, the retail value of food sales for the away-from-home U.S. market was $18.6 billion. It is predicted (by the Fast Food Magazine) that this will increase to $29 billion by 1970 and $46 billion by 1975. Thus, by 1970, it is estimated that 1/3 of all meals served in the U.S. will be served away from home, as compared with one meal out of five in 1961; that is, from 133 million meals in 1961 to 205-210 million meals in 1970. According to the Chain Storage Age Surveys conducted in 1966, the food service industries spent $72.2 million for seafood as compared with $507.4 for meat.

Away from Home U.S. Market for Food, 1966[4/]
(Retail Value of Food Served by Type of Outlet)

Type of Outlet	Estimated Retail Value of Food Served by Type of Outlet ($ million)	Estimated Food Costs ($ million)
1. Public Eating Establishments	18,066	7,958
2. Institutions with Food Service	3,468	1,637
3. Military Services	2,811	1,405
4. Schools (Grades 1-12)	2,600	1,300
5. Other (In-transit, Correctional Institutions, Federal Hospitals, Boarding Houses, etc.)	764	382
	27,709	12,682

24/ U.S.D.A. Survey of the Market for Food Away from Home, 1967

Different segments of the food service industry are expected to grow at different rates:

Projected Growth of the U.S. Institutional Market to 1970[25/]

Accelerated Gain	Normal Gain	Below Average Gain
Chain Operators	Restaurants	Department Stores
Schools	Cafeterias	Speciality Stores
Colleges & Universities	Drug Stores	Armed Services
Employee Feeding	Variety Stores	Religious Services
Caterers	Discount Stores	Transportation
Vending Machine Operators	Hospitals	Clubs
Food Service Contractors	Nursing Homes	
	Prisons	

TOP TEN FOOD SERVICE MARKETS IN THE UNITED STATES

	Number of Establishments	Dollar Volume Sales Food & Non-Alcoholic Beverages
1. Table or Booth Restaurants	100,501	$ 7,602,000,000
2. Lodging&Restaurants	16,436	1,600,000,000
3. Hospitals	5,353	1,474,000,000
4. Counter Restaurants	46,302	1,428,000,000
5. Drive-In (Hot Food)	23,061	1,338,000,000
6. College & University	2,553	1,144,000,000
7. Carry Out & Pantry	21,888	1,015,000,000
8. Drinking Places	51,299	1,009,000,000
9. Cafeterias	5,686	657,000,000
10. Industrial Feeding	5,353	377,000,000

25/ According to a major advertizing agency in the U.S.

The purchase of seafood by chains[27a/] appear to be largely influenced by their need for convenience and efficiency. Pre-portioned seafood in 1967 accounted for almost 87%[27/] of all seafood purchases by chains. The corresponding figures for Drive-in restaurants are 99.4% and 100% for variety chains. Contract feeders, however, buy fresh seafood on a fairly large scale. The biggest users of unbreaded frozen preportioned food are the cafeterias, while the drive-ins concentrate mostly in frozen breaded preportioned fish.

Distribution of Total Food Cost Spent by Major Food Service Markets on Seafood (%)

	Cafeterias	Contract Feeders	Drive-ins	Drug Stores	Fast Service	Variety General Mer.	Industry Average
Breaded, Frozen, Pre-portioned	16.7	45.1	87.9	67.7	12.8	41.1	45.2
Pre-portioned Frozen	70.4	28.5	11.5	21.9	58.8	58.9	41.7
Fresh	6.8	26.4	0.6	3.2	7.9	0	7.5
Other	6.1	0	0	7.2	20.5	0	5.6
	100.0	100.0	100.0	100.0	100.0	100.0	100.0

27/ Breaded preportioned frozen 45.2% and preportioned frozen 41.7%

27a/ Chains in this context mean franchised Drive-ins.

The following table provides details concerning the purchase of Seafood by the food services surveyed (in millions of dollars).

PURCHASES OF SEAFOOD BY SELECTED FOOD SERVICES

($ millions)

	Cafeterias	Caterers & Contract Feeders	Drive-Ins	Drug-stores	Fast & Table Service	Variety, Dept. & Gen.Mdse.	TOTAL
Breaded, frozen preportioned	1.7	7.9	25.6	3.3	1.1	0.6	40.2
Preportioned, frozen	7.4	5.0	3.3	1.1	5.1	0.9	22.8
Fresh	0.7	4.6	0.2	0.2	0.7	0.0	6.4
Other	0.6	0.0	0.0	0.4	1.8	0.0	2.8

The percent of total food cost spent by food services on seafood was:

Cafeterias	9.6
Contract-feeders	4.5
Drive-Ins	9.6
Drugstores	3.7
Fast Service	1.6
Variety - General Mdse.	1.1
Industry	5.0

SCHOOLS AND COLLEGES:

Food Service Markets are expected to experience rapid gains; during 1966, the school and college market together used $1,489 million worth of food. The food purchases of the college market increased from $233 million in 1961 to $401 million in 1966. Primary and Secondary, Public and Private Schools used in 1966 about $1,100 million worth of food. The interesting trends in the U.S. school market are:

(i) the school program started in January 1967; by May 1967, 98,000 children in 235 schools, in 42 states,

were participating; the budgeted costs for the 1968 breakfast program was $16.5 million;

(ii) the trend toward central buying which indicates an increasing trend toward bid buying;

(iii) increasing use of convenience foods, employing a greater use of frozen foods.

According to the U.S.D.A. Agricultural Marketing Research Report (No. 702), almost 92% of the fish purchases by schools during July 1962 - June 1963 were made from processors or wholesalers and only 8% from retailers. The report also indicates that 32% of the fish purchases were made by competitive purchasing contracts, 40% from route salesmen, 8% by personal selection and 20% by telephone.

During the July 1962 - June 1963 period, the public and private schools purchased 48.5 million lbs. of fish and shell fish valued at $23.7 million. This represented 2.3% of total food purchased by public and private schools.

1962 - 1963

	million lb.	million $	% of Total Food Purchased
Total fish purchased by schools	48.5	23.7	2.3
a. fresh & frozen	30.3	13.0	1.3
b. canned	16.7	9.7	1.0
c. shell fish	1.4	0.9	0.1

EMPLOYEE FEEDING

Another segment of the institutional market consists of the employee feeding market. In 1966, there were in all over 14,087 such establishments (with 250 or more employees). Of these, 6,121 were

company managed and the rest (7,966) by food contractors. The total expenditures on employee feeding were $1,093 million in 1966.

DRIVE-INS:

The Drive-ins represent one of the most important areas of commercial restaurant market. During 1966, there were in all, 23,061 drive-ins, representing 6% of the total number of eating establishments in the U.S., including institutions with public feeding.

The significant fact is that drive-ins and cafeterias are the largest fish purchasers in the food service group. Cafeterias provide an element of choice in foods consumed, and it is significant that their utilization is about double that of contract feeders. Contract feeders present a pre-selected menu tailored to their judgment as to their customers' requirements. It would seem that they tend to underestimate their customers acceptance of fish, by about half compared with the cafeteria consumption. With drive-ins there is an element of mobility as well. It is easy for the customer to drive to the store which provides the menu that the customer desires. They also tend to act as pace setters in eating habits, particularly for younger people. The expectation is that contract feeders, industry feeders, drugstores, etc., will move toward the purchase level of the drive-ins and cafeterias and that the more conservative menu setting patterns of these outlets will follow the drive-ins and cafeterias.

FISH AND CHIPS

The latest food fad seems to be fish and chips drive-ins. It has been called the "hottest franchise game in town". Judging from the momentum now building, this latest food fad is likely to have an important impact on fish consumption in the U.S. H. Salt, Esq. of San Raphael, Calif., the outfit that started it two years ago, now has 54 units open and is preparing a franchise push across the country.

Quality control is crucial to fish and chips. There is more to it than just plopping battered fish into hot fat and

serving it. Timing has to be right and the battering is what makes the difference. Each order consists of about ½ pounds of cod in two pieces plus chunky pieces of fried potatoes. So far, the three biggest in the business are Salt, Galardi and Houston based Alfie's. They are all sticking to the concept: "Fish and Chips for a buck plus beverages". Most of the fish and chip stores are using cod, mostly from Iceland. It is learned that some of the units are stock piling hundreds of thousands of pounds of cod in order to assure a steady supply. H. Salt company is considering plowing some of the profits back into developing fish farms to bolster the supply of Cod.

The following table gives an idea of the number of fish and chip units by the end of 1969.

Franchise Co.	Headquarters	Number of Units as at Jan.1, 1969	Number of Units projected end of 1969
Alfie's	Houston, Texas	1	220
Friar Fish	Torrence, Calif.	1	200
H. Salt, Esq.	San Raphael, Calif.	96	276
Lancashire Lad	Redwood City, Calif.	5	30
London	San Francisco, Calif.	12	50
London Bridge	Los Angeles, Calif.	6	56
Mr. Fish & Chips	Newport Beach, Calif.	3	30
Picadilly	Commerce City, Colo.	3	26
Rhodes	San Francisco, Calif.	10	40-50
Rian's	Portland, Ore.	1	3
Union Jack	Gloucester, Mass San Francisco, Calif	3	100
		141	1,041

The franchisers predict profit ranging from 20% to 35%.

Name	Cost of Franchise	Includes	Franchise Fee	Advertizing Fee
	$			
Alfie's	10,800	Equipment down payment with 3-year financing	5%	3%
Fraser Fish	10,750	Equipment down payment with 4.3% monthly	5%	5%
H. Salt, Esq.	25,000	No financing	6%	2%
London	10,000-20,000		4%	1%
London Bridge	19,000	20% financing	5%	2%
Mr. Fish & Chips	22,500		5%	2%
Rhodes	18,000		5%	8% first year 3% later

It is estimated that the number of Fish & Chips drive-ins in the U.S. will increase from 141 in Jan. 1969 to 1,050 by Dec. 1969. The franchisers predict profit ranging from 20% to 30% for this type of operation. The Atlantic Coast exporters need to watch these trends closely.

SECTION VI

ATLANTIC COAST'S GROUNDFISH MARKETING PROCESS WITH RESPECT TO THE U.S. MARKET

1. INTRODUCTION

As a background to Atlantic Coast's Groundfish marketing process, an attempt was made in the last two sections to (a) indicate the size and characteristics of Groundfish landings and utilization on the Atlantic Coast; and (b) to analyse the size, composition and characteristics of the U.S. Groundfish market.

This section is devoted to an examination of the problems relating to Atlantic Coast's Groundfish marketing organization and structure with particular reference to the U.S. market.

The structural[28/] and organizational aspects of marketing constitute only a part of the overall marketing process. Closely related to marketing structure is marketing conduct[29/] and marketing performance.[30/] Further problems relating to (a) market development; (b) product development; and (c) marketing support sources also have a significant bearing on the marketing process. All these aspects

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28/ The term structure refers to those organizational characteristics which determine the relation of sellers in the market to each other, of buyers in the market to each other and of the sellers to the buyers. It deals with those internal features of the market setting which seem to influence the nature of competition and pricing within the market.

29/ Marketing conduct includes (a) methods employed in determining price and output; (b) product policy; (c) sales promotion; and (d) co-ordination of price, product and sales promotion policies among competing exporters.

30/ Marketing performance refers to the economic results that flow from marketing structure and conduct. The direction of causation is assumed to run from structure through conduct to performance.

of Atlantic Coast's Groundfish marketing are dealt with in the succeeding sections of this report.

2. PROBLEMS WITH RESPECT TO MARKETING STRUCTURE AND ORGANIZATION

Problems relating to the Groundfish marketing structure can be considered under the following headings: (a) the degree of seller[31/] (exporter) concentration on the Atlantic Coast; (b) vertical and horizontal integration on the Atlantic Coast; (c) the degree of buyer concentration in the United States; (d) marketing channels used; (e) the degree of product differentiation among Atlantic Coast exporters; and (f) the conditions of entry into, and exit from, Groundfish marketing both on the Atlantic Coast and in the United States.

2.1 Seller (Exporter) Concentration on the Atlantic Coast:

The degree of seller concentration is generally, described by the number, size, and size distribution of Groundfish exporters.

2.1.1 Number of Groundfish Sellers (Exporters) on the Atlantic Coast:

Relative to other Groundfish supplying countries (e.g., Iceland, Norway, Denmark, Greenland, and Poland) the five provinces on the Atlantic Coast have a large number of small sellers directly engaged in exporting Groundfish products to the United States. The present study covered thirty[32/] Groundfish exporters

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31/ The term "seller" refers to processor-exporters on the Atlantic Coast who sell Groundfish products to the United States.

32/ The location of the Head Office was the criterion used for counting the number of exporters. Companies with more than one plant and having operations in more than one province, were counted as one for the purposes of exporting. According to the DBS, 61 fish processing plants on the Atlantic Coast employed in all 8,300 people in 1966; production employees constituted 92% of total employed. Female workers accounted for 30% of total production workers. These plants process Groundfish as well as other species of fish.

on the Atlantic Coast. In addition, there are about 15-20 smaller exporters. Thus, in all there are approximately fifty Groundfish exporters located in the five provinces on the Atlantic Coast. During 1968, the thirty Groundfish sellers covered by the study exported to the United States about 230 million lbs., of Groundfish products. The provincial distribution of the number of sellers was as follows:

	No. of Exporters
Newfoundland	10
Nova Scotia	11
New Brunswick	4
Prince Edward Island	1
Quebec	4
T O T A L	30

The additional 15-20 smaller exporters are located mostly in Nova Scotia, Newfoundland and Quebec. Of these 30 exporters, 26 were incorporated companies and the remaining four co-operatives. These co-operatives represent inshore fishermen and associations of fishermen. They are intended to provide the fishermen with better bargaining strength, financing, marketing organization, etc. Seven exporters are foreign owned subsidiaries, mostly American-owned. The remaining 23 are Canadian-owned. Only four of these companies had some form of definite representation in the U.S. market in the form of a distributing house. Twelve processor-exporters had multi-plant operations. With the exception of two or three companies, almost all processors had been in business for more than 10 years. Two exporters were in the less than five year old category. The majority of exporters (18) were engaged in year round operations. The remaining 12 operated seasonal plants extending from five to nine months a year. Almost half of the exporting firms were family-owned enterprises.

2.1.2 Size-Distribution of Sellers:

The export volumes of a majority of Groundfish sellers on the Atlantic Coast are small. For example, twenty out of the total of thirty exporters covered by the study, each exported less than 7 million lbs., of Groundfish products, during 1968. In terms of percent distribution of export volumes, the quantities exported by 20 individual exporters each amounted to less than 4% of the total Groundfish exports of 230 million lbs., in 1968. The largest ten sellers exported 173 million lbs.; the next largest ten sellers exported 45 million lbs., and the last ten sellers exported 11 million lbs. Alternatively, while the largest ten sellers accounted for 173 million lbs., of Groundfish exports, the next 20 sellers exported only 59 million lbs.

Exports of the Largest	Cumulative Groundfish Exports to the U.S. From the Atlantic Coast (million lbs.)	Cumulative % of Total Exports %
6 sellers	131.0	57.0
10 sellers	173.0	76.0
15 sellers	202.0	88.0
17 sellers	209.0	91.0
20 sellers	218.0	95.0
23 sellers	223.0	97.0
25 sellers	226.0	98.5
27 sellers	228.0	99.4
30 sellers	229.0	100.0

Thus, in terms of both the number and size-distribution of sellers, the Atlantic Coast present a large number of small sellers. Such a selling structure would seem to suggest a weak bargaining position[33/] vis-à-vis the Groundfish buyers in the U.S. Even the six largest sellers are aware that

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33/ The relatively weak bargaining position of the Atlantic Coast exporters is also confirmed by the instability in their incomes and prices.

they represent a bare majority (57%) of the market, and that the remaining 24 firms are, collectively, sufficiently large to constitute almost perfect competition, even ignoring substantial foreign competition.

2.1.3 Vertical and Horizontal Integration of the Atlantic Coast:

The Groundfish processor-exporters perform a variety of functions, from primary fishing to marketing, and in some cases marketing at the ultimate consumer level, in varying degrees of intensity. The following is a list of functions performed.

- primary fishing,
- acquiring fish from inshore fishermen and other sources,
- processing,
- packing
- freezing,
- stocking,
- transporting,
- financing inshore fishermen,
- assuming marketing risks,
- advertising and promotion,
- market intelligence,
- selling (a) in the U.S., (b) in the Canadian Domestic Market at (i) the wholesale level; and (ii) retail level.

Only a few processors perform all these functions. Most processors carry out a majority of these functions. In recent years, many exporters have acquired new functions and/or increased the scale and intensity of already existing functions. Some companies do not carry out freezing and storage functions, insisted they hire these services. For example, in Quebec, cold storage facilities are provided by the Department of Public Works and as such, individual processing companies do not engage in these functions on their premises. In

New Brunswick and Nova Scotia, some companies do not have freezing facilities and particularly cold storage space available in their premises. They rely on public warehouses. With the exception of two processors, almost all rely on commercial transportation for transporting their products to the market. Even the two exporters who have transportation facilities of their own, rely somewaht heavily on commercial transportation sources. With respect to processing, many processors have attempted to enlarge the scale and change the mix of their processing operations in recent years. In a very few cases, processing arrangements with U.S. processors have been made. In recent years more and more processors have come to feel the need for some form of representation in the U.S. market. Until 1968, only four major Atlantic Coast exporters had their own distributing houses in the U.S. In 1968, another major processor on the Atlantic Coast set up its own sales office in the U.S.

Over 80% of the sales of the majority of exporters are destined for the U.S. market, the balance being in Canada, particularly in fresh and frozen products for metropolitan centres such as Montreal and Toronto. The Canadian component of the trade seems to be on the increase. A few companies have export markets in European countries and the West Indies.

As regards primary fishing, about eight Groundfish processors who until recently used to rely entirely on fishermen for their supply of Groundfish, acquired fishing boats of their own and entered into primary fishing themselves. The major reason for this move was to ensure a steady source of supply to the plant and thereby facilitate a fuller utilization of their

plants.[34/] Some processors who have acquired primary fishing as a new function were formerly seasonal plants. By taking up the harvesting function, they hoped to prolong their fishing season, and to the extent possible, maintain the plant on a year round basis. Yet another reason for entering primary fishing, in some cases, was the dwindling number of inshore fishermen due mainly to natural attrition. The only way to ensure continuity of supply in these circumstances was for the processor to engage in primary fishing. It is not unusual for processors to advance money to inshore fishermen for the purchase of nets, boats, etc., and in return to be guaranteed a share, commonly 10% of the catch. In such cases, the distribution of catch was generally as follows:

(a) 10% to the processor;

(b) 10 to 15% to the fishermen's loan board; and

(c) the balance (75%) is retained by the fishermen to be disposed of in the open market.

In addition to those fish processing firms who have recently entered primary fishing, there are those who have increased the scale of already existing fishing effort in recent years. Most of the companies interviewed reported having substantially increased the share of supply originating with "own catch" as compared with "purchased fish" from inshore fishermen. On account of the depressed market conditions for Groundfish products, there has been in the last two years, a noticeable decline in the number of

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34/ Some small processors reported that they could easily undertake a volume increase of say, from 6 million lbs., to 10 million lbs. in their processing plants without any noticeable increase in fixed costs. According to several fish processors, because of the nature of their fixed costs, year-round operation was necessary for achieving scale economies.

boats fishing for Groundfish, particularly in New Brunswick (North Shore) and in certain parts of Nova Scotia.

The above mentioned trend towards increasing the scale of "own catch" operations is indicative of the tendency to vertically integrate backward, arising mostly from the cost-price squeeze.

Among the changes in functions accomplished by the Atlantic Coast exporters should be included the shifts in product lines, and also the shift in species. With regard to the former, some Groundfish processing plants have in recent years discontinued or substantially decreased salted, canned, and smoked Groundfish products, and have concentrated more and more on frozen products. There has also been an increasing emphasis on I.Q.F. and layer pack products. With respect to species shift, some processors have completely shifted from Groundfish to Atlantic Queen Crab production.

Apropos vertical integration (forward), only a few companies have made any effort in this direction. Some of these companies have distributing and/or sales houses in the U.S.; some have processing arrangements with U.S. processors. One or two have their own processing operations in the U.S.; but none is integrated up to the retail level except in the Canadian markets.

Some processors are tending to integrate horizontally. In addition to Fishery products, some have Fruit and Vegetable items. The Canadian-owned distributing houses in the U.S. have been able to co-ordinate their home plant production to the needs of the U.S. market. For example, during 1968, through their timely advice, their Canadian plants were able, at least to some extent, to reduce the

amount of Cod going to blocks and increased the proportion devoted to filleting.

2.2 GROUNDFISH BUYER CONCENTRATION IN THE U.S.

2.2.1 Number of Groundfish Buyers:

The buyers of Groundfish in the U.S. include wholesale processors, brokers, wholesale-distributors, and chain stores. According to the U.S. Bureau of Commercial Fisheries, there are presently over 120 buyers of Groundfish in the U.S., located in New England, New York, Chicago, Mobile Alabama, and New Orleans. Of these, over 65 buyers appear to have established contacts with Canada. However, only a few of them actually import Groundfish products from Canada. In 1968, about 230 million pounds of Groundfish were exported from the Atlantic Coast to the United States. During the course of the present study, it was not possible to establish the actual number of buyers in the U.S., who in fact purchased all of these exports. However, it was possible to ascertain that 162 million lbs. of these exports were sold to 39 buyers in the U.S.

2.2.2 Size Distribution of Buyers:

The total U.S. imports of Groundfish: fresh and frozen fillets and blocks during 1968 amounted to 430 million lbs. The quantity of Groundfish imported[35/] (and also purchased from brokers who import directly) by wholesale processors was as follows:

35/ Groundfish is imported into the U.S. directly by (a) wholesale processors, (b) brokers, (c) wholesale distributors, (d) chains; and (e) subsidiaries of foreign companies. We do not have data on the Groundfish sales of brokers to wholesale processors, wholesale distributors, and chains.

Firms	Estimated Groundfish Imports from All Foreign Suppliers - (million lbs.) -	Cumulative Imports -
1.	90.0	90.0
2.	55.0	145.0
3.	35.0	180.0
4.	35.0	215.0
5.	30.0	245.0
6.	20.0	265.0
7.	15.0	280.0
8.	15.0	295.0
9.	10.0	305.0
10.	10.0	315.0
11.	8.0	323.0
12.	5.0	328.0
13.	4.0	336.0
14.	4.0	336.0
15.	4.0	340.0

Thus, 15[36/] wholesale processors in the U.S.

36/ This 340 million lbs. do not represent the direct imports of wholesale processors. A portion of it is purchased through the subsidiaries of foreign fish companies located in the U.S. (See footnote 38)

accounted for 340 million lbs. of U.S. Groundfish[37/] imports, about 80% of the total U.S. Groundfish imports during 1968.

Another way of looking at the size-distribution of the above-mentioned 15 major U.S. wholesale processors is to calculate their individual share of the total U.S. imports of Groundfish in 1968 (430 million lbs.). This is given below:

Firms	Imports (million lbs.)	% of Total[38/] U.S. Imports (430 million lbs.)	Cumulative % of Total Imports
1.	90.0	20.9	20.9
2.	55.0	12.8	33.7
3.	35.0	8.1	41.8
4.	35.0	8.1	49.9
5.	30.0	7.0	56.9
6.	20.0	4.7	61.6
7.	15.0	3.5	65.1
8.	15.0	3.5	68.6
9.	10.0	2.3	70.9
10.	10.0	2.3	73.2
11.	8.0	1.9	75.1
12.	5.0	1.2	76.3
13.	4.0	0.9	77.2
14.	4.0	0.9	78.1
15.	4.0	0.9	79.0
TOTAL	340.0	79.0	

37/ Groundfish imports here refer to fresh and frozen fillets of Cod, Haddock, Flounder, Ocean Perch and frozen fish blocks. Total domestic disappearance of Groundfish in the U.S. in 1968 was 540 million lbs. Total U.S. imports of Groundfish in 1968 was 430 million, 80% of total U.S. apparent consumption.

38/ Besides these wholesale processors are the following foreign-owned processing plants: Coldwater Seafoods Inc., Scarsdale, N.Y.; Icelandic Products, Camp Hill, Pa.; Frionor Kitchens Inc., New Bedford, Mass. These three processors process in their plants (located in the U.S.) almost 60 million lbs. of imported fillets and blocks.

The degree of concentration on the import side of the U.S. Groundfish industry is evident from the following:

	Total U.S. Groundfish Imports in 1968
Largest 4 wholesale processors	49.9%
Largest 6 wholesale processors	61.6%
Largest 8 wholesale processors	68.6%
Largest 10 wholesale processors	73.2%
Largest 12 wholesale processors	76.3
Largest 14 wholesale processors	78.1%
Largest 15 wholesale processors	79.0%

In contrast to the relatively large size of U.S. Groundfish importers (wholesale processors), the majority of the Canadian Atlantic Coast Groundfish exporters are small. The export volumes of the majority of our sellers did not exceed 1-4 million lbs. of Groundfish and the largest six sellers in Canada exported less than the total imports of the two largest American buyers. During 1968, the 30 Groundfish enterprises on the Atlantic Coast exported in all about 230 million lbs. of Groundfish. Of this, 162 million lbs. were sold among 39 U.S. Groundfish buyers as follows:

	Cumulative U.S. Imports from the Canadian Atlantic Coast (million lbs.)	Cumulative Percentage
Largest 6 U.S. buyers[39/]	97.0	60.0
Largest 10 U.S. buyers	121.0	75.0
Largest 15 U.S. buyers	140.0	86.0
Largest 20 U.S. buyers	149.0	92.0
Largest 25 U.S. buyers	156.0	96.0
Largest 30 U.S. buyers	159.0	98.0
Largest 35 U.S. buyers	161.5	99.0
Largest 39 U.S. buyers	162.0	99.0

39/ The term 'buyer' here refers to wholesale processors, brokers, wholesale-distributors, chains, etc.

Tables 47 to 52 provide an inventory of all listed importers of fishing products in the U.S. They comprise processors, brokers, wholesale-sale distributors and chains, including foreign-owned companies. According to the U.S. Bureau of Commercial Fisheries, there were 49 importers in the New England States at the end of 1967 as compared with 130 importers in the U.S. as a whole (including the many branches of big importers located in different cities in the U.S.). The number of importers in New England States, New York, Chicago and New Orleans at the end of 1967 was as follows:

Location	No. of Importers
New England States	49
New York	46
Chicago	21
New Orleans	6
Mobile	8
TOTAL	130

Quite a number of these importers deal in Groundfish, from one source or another. However, because of the small volumes handled by the large majority of these importers, they are of relatively little importance, as far as the Atlantic Coast Groundfish products are concerned. Thus, despite the presence of a large number of listed U.S. importers, only a few importers are of any consequence.

2.2.3 Vertical Integration Among Buyers

Vertical integration is a growing feature of the U.S. Groundfish buyers. In recent years, there has been a noticeable trend for large supermarkets in the U.S. to acquire controlling interest in fish processing companies. For example, the Gorton Corporation was acquired by the General Mills; Booth Fisheries by

Consolidated Foods and Sea Pak by W.R. Grace & Co., Booth Fisheries and the Gorton Corporation are integrated backward up to the harvesting level, in that they own and operate fishing boats and processing plants on the Atlantic Coast. Their operations in Canada are not, of course, of sufficiently large scale to make the parent companies self-sufficient with regard to fishery products. The Food Conglomerates in the U.S., like General Mills, Consolidated Foods, etc., are planning to enter the "Fish and Chip" business in a serious way. It has been stated, for example, that General Mills plan to start at least one Fish and Chip outlet a month on the West Coast during the latter half of 1969. If the Groundfish Market in the U.S. improved (as is expected in many fish marketing circles in the U.S.), it is likely that U.S. wholesale processors would be in the market to purchase Groundfish processing plants on the Atlantic Coast.

2.3 DISTRIBUTION OF ATLANTIC COAST GROUNDFISH EXPORTS BY TYPE OF MARKETING CHANNEL.

During 1968, the 30 Groundfish exporters on the Atlantic Coast exported in all about 230 million lbs. of Groundfish to the U.S. The following is the distribution of these exports by type of marketing channel used:

	Atlantic Coast Groundfish Exports to the U.S. (million lbs.)	% of Total
a) Sold directly to brokers	91.0	39.4
b) Sold directly to wholesale processors	86.0	37.2
c) Sold to wholesale distributors and chains	3.5	1.5
d) Sold to Canadian-owned distributing houses in the U.S.	50.0	21.9
TOTAL:	230.0	100.0

The Canadian-owned distributing houses in the U.S., in turn sell to (a) wholesale processors (b) brokers (c) wholesale distributors, and (d) chains. Some brokers, in turn, sell to other super brokers.

At least two Canadian distributing houses have processing arrangements with U.S. processors. Atlantic Coast Groundfish exporters having the above-mentioned type of representation in the U.S. market appear to have a better diffusion of sales in terms of both the number of channels used as well as geographical regions covered. For example, National Sea Products, Fishery Products Inc., Caribou Fisheries and BC Packers have dealings with wholesale distributors, as well as brokers in a number of states in the U.S. It is sometimes difficult to bypass brokers and/or wholesale distributors because most chains and institutions deal only with those who can provide them with a complete line of products. And, brokers who represent many different processors are able by virtue of their wide representation to provide a comprehensive line of products. It is on account of these factors that many Canadian exporters have had to sell through brokers despite their desire to sell directly. The Atlantic Coast exporters have at best only a limited line of products consisting mostly of traditional products. Canadian companies

operating in the U.S. are making every effort to increase the proportion of their direct sales to chains.

It is customary for Atlantic Coast exporters to custom pack under a number of U.S. labels, (according to requests received from processors, brokers, wholesale distributors and/or chains). Subsidiaries of U.S. companies located on the Atlantic Coast sell directly to their parent companies and also custom pack for the customers of their parent companies. A few processors custom pack for other exporters from the Atlantic Coast. This is true not only of a number of co-operatives but also of incorporated processing plants. In one case, rather than selling to U.S. brokers, a company chose to custom pack for another Atlantic Coast processor.

Marketing channels used by individual Atlantic Coast exporters have not changed in recent years. This, perhaps, is due (a) to the high degree of personal relationship that exists between the exporter and the U.S. buyer; (b) to the inertia on the part of the Atlantic Coast exporter to aggresively seek after more profitable channels and outlets, manifesting to some degree the lack of a true marketing concept and function in their own organizations; (c) to the inability to seek new outlets due to lack of staff; (d) to the costs involved in seeking new outlets; and (e) the initial uncertainties and risks that go with it. Most Atlantic Coast exporters would like to see some of their traditional channels changed. They would like to explore alternative channels available and also intensify their representations within some existing channels. Most of the exporters deal only with a limited number of buyers in the U.S.; the

wholesale processor, broker, wholesale-distributor and/or chain. Within the channel used, the export sales are made to a few buyers only. Many exporters have in the last year or so come to realize that it is essential to deal with more and more buyers in the U.S. in order to improve their export returns. The setting up of a U.S. sales office would, of course, help in achieving this objective.

2.4 RELATIONSHIP BETWEEN BUYERS IN THE U.S. AND SELLERS ON THE ATLANTIC COAST

Financial ties exist between sellers on the Atlantic Coast and buyers in the U.S. These ties consist, mostly, of financial advances from U.S. buyers to Canadian exporters.

Inventories, as and when accumulated, are written off against these advances. In some cases, after the accumulation of inventory, an advance is taken from a potential buyer in the U.S. against fish holdings on the exporter's premises on the Atlantic Coast. The account is settled when the seller decides to complete the sales. The total amount of advances received by individual Canadian sellers from U.S. buyers have, on occasions, amounted to over $2 million. Particularly during times of excess supply, such financial advances affect a fairly large volume of export sales, about 15-20 million lbs. per year. It may also be noted that there are sellers on the Atlantic Coast that operate virtually year round on the basis of such financial advances. There are also those who resort to such arrangements only during times of excess supply.

The brokerage fee is generally about 5% to 8%. Over the years, there has not been any noticeable increase in the brokerage charged. However, depending

upon the kind of services performed, the brokerage fee has varied among different brokers. On private labels (that is the labels of U.S. distributors, processors and/or chains), the brokerage fee tends to be less, say, 5%; however, the brokerage fee on "own" labels (the labels of Atlantic Coast exporters is about 8%. The commission on fresh fillets is about 7-8% of the gross selling price. The brokerage on I.Q.F. and other high quality products appear to be lower than that on blocks. The scale of the commission charged seems to vary with the terms of payment, usually 30 days. In the New York area and vicinity, there is the practice of the broker asking for a "kick back" over and above his normal commission.

2.5 GEOGRAPHICAL DESTINATION OF ATLANTIC COAST'S EXPORTS

With the exception of a few Canadian exporters who have distributing houses in the U.S., most Atlantic Coast sellers concentrate their exports to a few buyers located in the New England area. Thus, there appears to be a lack of adequate spatial representation in the U.S. market through a carefully selected chain of buyers in the different geographic regions of the country. The following distribution of exports may be noted:

	Atlantic Coast Groundfish Exports to the U.S. 1968 (million lbs.)	% of Total
To New England States	147.0	63.0
To New York Vicinity	24.0	11.0
To Chicago & Suburbs	47.0	20.0
To Other	13.0	6.0
TOTAL	230.0	100.0

Thus, the New England area received the largest proportion (63%) of the total exports of Groundfish from the Atlantic Coast. The New England area is, by far, the most important buying centre for Groundfish in the U.S. During 1966-68, approximately 80% of the Groundfish Blocks and slabs that entered the U.S. from all countries were purchased through New England ports. With regard to fresh and frozen fillets, about 70% of the U.S. purchases during the same period were made through New England ports. If one takes into account the fact that U.S. Groundfish imports that enter through, and destined for, areas other than New England are partly the result of the purchasing decisions taken in New England, the importance of Boston and Gloucester assumes even larger proportions.

There is a difference between the degree of market coverage achieved by those Atlantic Coast exporters who have distributing houses in the U.S. and that of exporters who sell through brokers. For example, the U.S. distributing house of an Atlantic Coast exporter sold to brokers in the following locations in the U.S.:

Oklahoma	Chicago
Dallas	Shawnee Mission
New York	Atlanta
Indianapolis	Cincinatti
Boston	Portland, Oh.
Buffalo	St. Louis
Detroit	Charlotte
Albany	Bronx
Chestnut Hill	Tampa

In contrast, the geographical market areas covered by an Atlantic Coast exporter who sells to U.S. brokers directly are very limited.

2.6 PRODUCT DIFFERENTIATION AMONG ATLANTIC COAST GROUNDFISH EXPORTERS

The term "Product differentiation" refers to the extent to which Groundfish products of the different Atlantic Coast exporters are viewed as non-identical by the U.S. buyers. It was noted earlier that the Groundfish exporters that were covered in the survey, exported about 230 million lbs. of Groundfish to the U.S. in 1968. Of this, 94 million lbs. (41%) consisted of all types of Groundfish blocks (cod block represented 64 million lbs. or 28% of total exports). These blocks (non-labelled commodity products in the market place) are generally considered to be identical. However, because of the differences in quality and conformation among the blocks produced by different processors, some U.S. buyers have tended to prefer blocks produced by certain processors on the Atlantic Coast. During 1968, the Atlantic Coast exporters sold to the U.S. about 120 million lbs. of fillets and 15 million lbs. of I.Q.F. products. Of the 120 million lbs. of fillets, 55% (66 million lbs.) were sold under "private labels", and the balance of 54 million lbs. (45%) were sold under "own labels" (own labels - about 25 different brands of the Atlantic Coast processors). The volumes sold under each of these individual brands are relatively small. The following is a rough listing of "private" as well as "own" labels employed:

"Private" Labels	"Own" Labels
Taste O'Sea	O'Donnel-Usen
Arctic Seal	East Pak
Grand Union	Acadian
Top Frost	Golden
Sea Pass	Captain Seajoy
Booth	Finest Food
Gortons	Mersey
Slade Gorton	Highliner
Jewel	Sable
Boston Bonney	UMF
Mrs. Pauls Kitchen	Rupert
Ocean Made	Snowbird
Shoprite	Finfare
Four Fishermen	Captain's Choice
Blue Water	Roco
Frosty Sea	Brunswick
Shamrock	
Boothbay	
Clover	
Kroeger	
First National	
Forty Fathom	
Sea Fresh	
Finest	
Sea Pack	
Tradewinds	
Captain John	
Dolphin	
Bristol	
Nautica	
Del Mar	
Del Rio	
Fishermen	

With respect to non-commodity items such as fillets and portions, the product variety available is somewhat limited. With the exception of I.Q.F. products, of which the Atlantic Coast produced only a limited volume (15 million lbs. in 1968), the general run of traditional Canadian packs of fillets do not provide a sufficient basis for product differentiation. The prevailing practice within the U.S. market with respect to these products is to group them under the generic term "Canadian" in distinction to Icelandic and Norwegian. Thus, despite the presence of numerous brands, there is no serious evidence of product differentiation among the varous Canadian brands. There is, however, a real distinction between all Canadian brands and Icelandic and Norwegian brands. Iceland and Norway have identified certain desirable

characteristics, (boneless, white, frozen fresh, etc.) with their product, and obtain a premium as a result. In the U.S. market, there is little promotion of Canadian brands. The net result is that there is a relatively high degree of price competition among Canadian Atlantic Coast exporters to the exclusion of product competition, based on product variety and product brand.

2.7 CONDITIONS OF ENTRY AND EXIT

Another aspect of marking structure relates to the conditions of entry and exit. Entry conditions refer to the relative ease or difficulty with which new sellers and/or processors can enter the market on the Atlantic Coast or in the U.S. This is, generally, determined by the cost advantages which established sellers/processors have over potential entrants, including economies of scale, initial capital requirements, control of raw material, etc. Conditions of exit refer to the ease or difficulty with which sellers and/or processors can liquidate and/or convert their investments and leave the industry.

2.7.1 Entry and Exit on the Atlantic Coast:

The combined effect of loans, assistance and subsidies in the past at the federal and provincial levels has been to make easy the conditions of entry into Groundfish processing and exporting on the Atlantic Coast. The availability of relatively cheap labour and the somewhat ready access to sales outlets and brokers in the U.S. have also tended to make conditions of entry into Groundfish processing easy. Setting up fish processing plants, particularly in areas with little or no alternative employment

has been encouraged by all levels of government. However, such entry conditions have produced a fragmented structure in Groundfish processing with often disastrous consequences in terms of prices and incomes. The presence of too many exporters with little or no co-operation among themselves does not produce any strength in pricing for export. Many firms have entered processing without any planning as to how the products would be marketed.

Taking Newfoundland as an example, the following table indicates the increase in the number of freezing plants between 1949 and 1968.

NEWFOUNDLAND
Fish Freezing Plants

1949	1968
St. Anthony (Jobs)	LaScie
Englee	Twillingate
Bonavista	Catalina
Harbour Grace	Charleston
St. John's (Jobs & Harveys)	Dildo
Burin	Hant's Harbour
Burgeo	Old Perlican
Isle aux Morts	Carbonear
Ramea	Ship Cove, Port de Grave
Port aux Basques (Jobs)	Quidi Vidi
	St. John's (Ross-Steers)
	Bay Bulls
	Witless Bay
	Fermeuse
	Trepassey
	St. Bride's
	Marystown
	Fortune
	Grand Bank
	Harbour Breton
	Gaultois
	Rose Blanche
	Curling
	Port aux Choix

The following table based on the data obtained from the Newfoundland Fisheries Development Authority indicates the magnitude of government assistance to the Fishing Industry during 1950-66, in that province:

	Number of Borrowers	Amount of Loans Advanced 40/ ($000)
1950	7	1,330
1951	8	1,775
1952	11	2,351
1953	13	5,703
1954	15	8,303
1955	19	8,317
1956	24	10,502
1957	22	10,129
1958	25	10,404
1959	23	10,397
1960	24	10,322
1961	28	10,986
1962	26	11,189
1963	27	11,511
1964	28	12,436
1965	30	12,511
1966	32	14,138
1967	31	28,214

During 1950-67, over $33 million were advanced by the Newfoundland Government to the fishing industry. The following is the breakdown of this loan in terms of the purposes for which they were advanced:

	1950-67 ($000)
(1) For fresh and frozen plants including fishmeal and whale meat operations and for extending, completing, improving and equipping such plants	18,641
(2) For Salt Fish Processing Plants - extending, completing and equipping such plants	1,308
(3) Build or to assist in Purchasing and/or converting vessels for use in Coastal trade	457
(4) Purchase or assist in Purchasing draggers, trawlers and other fishing vessels	7,873
(5) Herring and whaling operations	921
(6) Working capital	3,866
	33,066

40/ Loans outstanding at the end of each year.

The following table indicates the nature and magnitude of grants and subsidies to the fishing industry during 1964 to 1969 in the Province of Quebec.

	($000)
1964-65	1,109
1965-66	1,303
1966-67	1,439
1967-68	2,852
1968-69	3,029

The following was the precent distribution of these grants and subsidies in 1968-69:

	$ (000)	% of Total
1. Subsidy on capital investments in plants (Groundfish & Other)	235	7.8
2. Fish Transport (Groundfish only)	76	2.5
3. Fuel Transport (Groundfish & Other)	38	1.3
4. Transport of Supply Materials (Groundfish & Others)	6	0.2
5. Boat Insurance (Groundfish & Other)	683	22.4
6. Miscellaneous (Groundfish & Other)	-	-
7. Deficiency Payments (Groundfish only)	552	18.2
8. Shore Maintenance Crews (Groundfish only)	90	3.0
9. Hulls & Engines (Groundfish & Other)	26	0.9
10. Cod Gilnets (Groundfish only)	70	2.3
11. Maritime Credit Plan	28	0.9
12. Diversification of Inshore Fishing (Groundfish & Other)	84	2.8
13. Subsidy on Productivity (Groundfish only)	140	4.6
14. Ice Service	200	6.6
15. Imputed interest on interest free loans	762	25.2
16. Bad Debts	39	1.3
TOTAL	3,029	100.0

The above figures relating to Newfoundland and Quebec illustrate the nature and amount of government assistance to the fishing industry. Such assistance has, undoubtedly, facilitated entry into the fishing industry in these provinces. (Similar data on Nova Scotia, New Brunswick and Prince Edward Island are not readily available). However, in the immediate past, entry has become more and more difficult due (a) to the current low return on investment (b) to the growing uncertainties in the supply of raw material (c) to the increasing amount of capital required to start a plant[41/] (d) to the difficulties in arranging finance for working capital (stringent credit limits by banks) (e) to the instability of market outlets including the disinterested selling behaviour of some brokers (f) to the difficulties involved in setting up a suitable sales organization at home and in the U.S., and (g) to the increasing difficulty in getting competent managerial and plant personnel.

On the exit side, it has been, and still is difficult to dispose of plant and equipment for a fair price. It is also difficult to convert present plant and equipment to other operations, and other products, due to location, and other constraints.[42/]

41/ It is estimated that a minimum sized Groundfish plant would require about $300,000 to $500,000. An exception to this is where an alternative fisheries product is available.

42/ It is relatively easy to convert a Groundfish plant to a Queen crab processing plant. Many Groundfish plants on the Atlantic Coast have, in fact, been converted for this purpose; several plants in New Brunswick can be cited as examples.

Finally, exit is difficult due to the importance of the on-going operation to the community, especially in the absence of alternative means of employment Communities and senior governments, will do everything in their power to prevent an exit. While governments have actually encouraged entry, there has been little or no government assistance in the past to facilitate exit for companies which have become non-viable.

2.7.2 Entry and Exit in the U.S.

At the wholesale-processor level, entry conditions in the U.S. have been fairly difficult. The tendency has been for processors to merge. Consequently, the size of processors in the U.S. has been on the increase, and the number of processors has declined. At the broker level also, although entry conditions have not been particularly difficult, there has been a tendency to consolidate into larger and larger brokerage houses. Exit presents few difficulties in the U.S.

There has been a steady increase in the number of firms engaged in merchandising frozen foods (including frozen sea food) in the U. S.

	Distributors	Packers	Brokers	Suppliers	Warehouses	Total
1951	118	78	24	18	19	240
1953	151	100	29	25	15	297
1955	177	158	53	56	34	467
1957	216	181	63	64	46	548
1959	224	231	108	68	73	679
1960	248	243	122	69	77	741
1961	259	290	163	77	84	855
1962	272	298	193	88	92	930
1963	289	322	232	97	96	1,030
1964	302	363	262	114	106	1,131
1965	361	376	292	121	102	1,235
1966	405	391	308	123	93	1,323
1967	412	419	319	129	112	1,374
1968	427	437	363	138	113	1,446

2.8 PRICING THE ATLANTIC COAST GROUNDFISH EXPORTS

The number and size-distribution of sellers on the Atlantic Coast, and of buyers in the U.S., have significance for the pricing of Atlantic Coast's Groundfish exports. The Canadian sellers have, generally, tended to be price "takers" rather than price "makers" due (a) to the intense degree of competition among them, and (b) to the international competition for Groundfish sales in the U.S. market. In contrast, there has been, relatively, a lesser degree of competition among the Groundfish buyers in the U.S. The size of U.S. buyers in markedly larger than that of the Canadian Groundfish exporters, or of the major European exporters. This size differential tends to put the U.S. buyers in a position of strength in matters relating to price setting. In recent years because of the presence of a buyer's market in the U.S. for most Groundfish products, the general practice of Atlantic Coast exporters has been to sell the product at whatever price they can get. Some exporters try to enter into "contracts to pack" for certain buyers in the U.S. In earlier years, the contract used to stipulate quantities to be delivered and also a price for the coming season. In recent years, and more particularly in 1967 and 1968, however, this practice seems to have given way to an open contract with no stipulation on price. Thus, the present day contracts relate only to quantities and not prices. The price at the time of delivery is, generally, considered to be the basis for transaction.

To the U.S. buyer, long-term and short-term contracts to purchase are a useful and, in fact, necessary device. In an environment of changing prices (prices of Groundfish blocks have changed from year to year)

such controls help to provide the necessary market cover. For the major processors in the U.S. dealing in fairly large volumes of raw materials, frequent changes in raw material prices can mean serious competitive disabilities. Hence, in recent years, the U.S. buyers have stepped up considerably the proportion of their total purchases obtained through contracts. The Gorton Corporation, a major wholesale processor in the U.S. has a five year contract with Poland for a minimum 15 million lbs. of Cod blocks, per year. It may also be noted that orders to users like McDonald's, schools, restaurants, etc., are normally processed through contracts. In the last two years, some U.S. buyers including brokers have markedly shifted a larger share of their purchases of Groundfish products and particularly of Cod blocks from Canada to European sources. Until a few years ago, it was not unusual for some U.S. wholesale processors to purchase almost 80% to 90% of their total blocks from Canada, however, this share has in the last two years decreased to 35%, in some cases.

The pricing practices of Atlantic Coast exporters are to some extent a reflection of their financial strengths or weaknesses. For example, the serious difficulties faced by processors in getting short-term credit on the produce in storage seriously limits their ability to wait for a favourable market opportunity. It puts the exporter under pressure to sell his produce during the season when supplies are at their maximum level. This is, undoubtedly, a serious and continuing handicap to exporters who have to bargain from a position of weakeness with the U.S. buyers. Because of shortage of working capital, processors on the Atlantic Coast have also tended to borrow in times of need,

especially, before production and thus become indebted to the U.S. buyers. They are consequently, obliged to sell,often at prices below those ruling in the market,as a condition for renewing the loan. Normally, Canadian exporters are in direct competition with each other. In times of over supply, such price competition assumes very serious proportions. For example, in 1968 price cutting did occur among the exporters in order to move inventories. A reduction of 1¢ per lb. by one firm if it spreads to all other firms, could mean a loss on say 64 million lbs. of cod blocks or $640,000 to the Atlantic Coast cod block producers. If one exporter cuts prices, all other firms eventually follow. Then, yet another exporter has to move blocks and resorts to a price reduction; and, eventually all exporters follow and so on, in the classical pattern of the perfectly competitive market, in the face of over supply.

The type of competition encountered among Atlantic Coast exporters is purely price competition on a commodity product and not competition based on product differentiation (branded products). The latter is a health process, but the former is a ruinous one.

Price are generally quoted at the duty paid delivered level. The terms of payment are cash to 30 days, or letters of credit.

It appears that Atlantic Coast exporters in pricing their exports have on several occasions in the past relied on the policy of charging the "highest" possible price. For example, Cod blocks in 1966 were sold at 26-28¢ per lb. Such a pricing policy seems to overlook its long-term competitive implications. For example, it can be argued, as is done by some major U.S. buyers, that the maintenance of a fairly high level of price for

Cod blocks in 1966 was responsible for the subsequent expanded production by the European suppliers, from Poland, Iceland, Norway and West Germany.

SECTION VII

THE MARKETING CONDUCT OF ATLANTIC COAST EXPORTERS

1. INTRODUCTION

The marketing conduct of Atlantic Coast exporters with respect to the sale of their Groundfish products to the U.S. can be dealt with under the following headings: (a) selling methods employed by exporters; (b) product composition of exports; (c) promotion activities among exporters; and (d) supply management.

2. SELLING METHODS EMPLOYED BY EXPORTERS

A large portion of Atlantic Coast's Groundfish exports are sold on an agreed price basis. During 1968, about 79% of export sales were sold under agreed price and the balance of 21% was sold under consignment.

	Quantity Exported to the U.S. in 1968 (million lbs.)	%
(a) Exported on an agreed price basis	183.0	79
(b) On consignment	47.0	21
T O T A L	230.0	100%

The above-mentioned exports to the U.S. include subsidiary-parent sales[43/] which amounted to about 28 million lbs., in 1968. If the total exports are adjusted to exclude this parent subsidiary transaction, the balance of exports would amount to 203 million lbs. The distribution of total exports between "fixed price" and "consignment" sale would then be as follows:

43/ U.S. parent companies owning and operating Groundfish processing plants in Canada.

	Million lbs.	%
Total exports	203.0	100.0
Fixed price	156.0	76.0
Consignment	47.0	24.0

Thus, during 1968, almost 25% of total exports (excluding parent-subsidiary transactions) were sold on a consignment basis. The term "consignment sale" refers to the practice of shipping fish to the market unsold. Consignment sales have debilitating effects on prices and incomes. The underlying strategy of consignment selling on the part of the U.S. broker, often a small broker with little or no investment, is to move quantity by cutting price. This is often referred to as the practice of "going below the market". The broker works on a commission basis, say 5% of the gross selling price. If the broker sold a pound of Cod blocks say, at 20¢ per pound, he would, at the rate of 5% commission be entitled to 1¢ per pound. If he sold it at 25¢ per pound, he would be entitled to 1.25¢ per pound; the difference between the two transactions would only be .25¢ per pound. Thus, there is little or no incentive for the broker to strive for a higher price, or to keep up to the market, unless the volume handled is very large. Very often, the blocks sold on consignment are not of first rate quality. In order to move such blocks, brokers have to go below the market. In doing so, they avoided "taking a position" in the market. Small quantities sold at below market prices have often been found to start a chain reaction on the pricing of large quantities of higher quality products.

In the last year or so, a few exporters have started the practice of holding "spot" stocks, particularly in Chicago and the vicinity. This virtually

amounts to "retail business to Wholesalers", in as much as it helps to serve the customers who normally take less-than-carload lots. A pound of Perch in carload lots selling at 26¢ per pound in Boston would be equivalent to 29¢ at the spot stock level (taking into account the costs of transportation and storage), in the Chicago area.

3. PRODUCT COMPOSITION OF EXPORTS

The product mix of total Groundfish exports during 1968 was as follows:

	Groundfish Exports to the U.S. (million lbs.)	Percent of Total %
Fillets	120.0	52.0
I.Q.F.	15.0	6.7
Blocks	94.0	40.9
(Cod Blocks)	(64.0)	(28.0)
Other	1.0	0.4
	230.0	100.0

Fillets consisted mostly of traditional packs: 1 lb., and 5 lb.; I.Q.F. products were exported only on a small scale, about 7% of total exports. The majority of small exporters do not have the facilities to produce I.Q.F. and layer pack products, and the export volume of 15 million lbs., was shared among a few large exporters. Fish blocks and slabs consisted of 41% of total exports; and Cod blocks 28% of total exports. Much of the demand for the traditional 1 lb., and 5 lb., fillet packs is shifting to I.Q.F., and layer pack products. Similarly, the demand for traditional breaded and pre-cooked portions are lagging due to the increasing consumer preference for I.Q.F. plain, and I.Q.F. breaded and crispy breaded portions.

Most Groundfish exporters have a limited product

line: fillets and blocks, as well as dressed products. Some processors are engaged in salted, cured and canned products also. Many processors also have fish meal. Fillets are generally packed in the traditional 1 lb., and 5 lb., packs, although a few companies have taken to the production of I.Q.F. and layer pack products. Graded fillets are produced only by a very few exporters, about five or six at most. Graded fillets include I.Q.F. and layer packs as well as steaks, jumbos, etc. Only a few processors offered pre-cooked and breaded products. Many processors would like to enter such items. The following is a listing of the products that are offered in the market by an Atlantic Coast exporter who has a sales distributing house in the U.S.

Cello wrapped fillets,

Headless and dressed products,

I.Q.F. plain,

I.Q.F. breaded,

Portions, breaded, pre-cooked and plain,

Retail fillets, etc.

Most of the blocks produced are of the 13½ lbs., and 16½ lbs., size. A few processors also produce blocks which weigh 17½ lbs.

4. PROMOTION ACTIVITIES AMONG EXPORTERS

There is very little promotion of Groundfish products in the U.S. undertaken either individually or in concert by the Atlantic Coast exporters. However, the Canadian industry through the Fisheries Council of Canada participates in the promotion programs of the National Fisheries Institute. Its annual contribution to the N.F.I. amounts to $22,000 per year. The programs of the N.F.I. consisting of both institutional and consumer promotion costs about $100,000 per year.

One major Groundfish exporter from the Atlantic

Coast recently started a national television advertising campaign for its fishery products designed for the Canadian domestic market. This campaign which lasted several weeks included over twenty commercials a week in larger cities with corresponding frequencies for smaller towns. The program reached over two million women a week. This exporter's advertising and promotion budget for the Canadian market during 1968 was about $300,000. In the U.S., the same exporter spent during the 12 months of 1968, over $120,000 for advertising and promotion. Another exporter with a distributing house in the U.S. spent about $26,000 per year, for advertising and promotion in that U.S. market. Yet another exporter spent $20,000 per year in the U.S. However, for many exporters volumes are much too low to support any extensive advertising and promotion activity. Moreover, to bear fruit, promotion and advertising should be based on branded products. Most of the advertising and promotion conducted by the Atlantic Coast exporters in the U.S. are through magazines designed for consumers and institutions. "In store, point-of-sale" promotion appears to be a rewarding way to expend promotion dollars. The present program of the National Fisheries Institute combines both consumer and institutional promotion. Although the program appears to be effective, its coverage is limited by available funds. In comparison with other food products, seafood has so far received little promotional effort in the U.S. The following figures relating to percentage of sales in the U.S. invested in advertising, confirm this view:

	Advertising Expenditures as Percent of Sales During 1964-1965 % 44/
Fisheries	0.11
Meat Products	0.63
Dairy Products	1.59
Canned and Frozen Foods (excluding fish)	2.90
Grain Mill Products	3.19
Soft Drink	6.39
Tobacco Manufactures	6.06
Food Stores	1.32
Bakery Products	2.53

According to the Frozen Food Executive Bulletin 45/ the following was the advertising expenditures of selected frozen fish companies in the U.S.

	1963 ($000)	1964 ($000)	1965 ($000)	1966 ($000)	1967 ($000)	1968 ($000)
Booth Fisheries						
Newspaper) Magazine) Television) Radio)	(Breakdown not available)					
T O T A L	457	498	3	108	25	
Coldwater Seafood Corporation	n.a.	n.a.	n.a.	n.a.	27	
Gortons						
Television						
Magazines					215	
Newspapers					37	
	99	104	253	261	252	275
O'Donnell-Usen Fisheries						
Newspapers	14	17	39	50	39	
Mrs. Paul's Kitchens						
Magazines					25	
Newspapers					530	
Television and Radio					1,325	
	950	1,221	1,402	1,665	1,880	

44/ Based on a survey by an advertising firm in the U.S. in 1967.

45/ June 28, 1968.

	1963 ($000)	1964 ($000)	1965 ($000)	1966 ($000)	1967 ($000)	1968 ($000)
Consolidated Food					2,109	1,097 (6 Mos.)
W.R. Grace and Company					40	33 (6 Mos.)
H.J. Heinz						60 (6 Mos.)
Howard Johnson					475	5 (6 Mos.)
A & P Tea Company					750	750

The Frinor Kitchens Incorporated, a Norwegian company which markets fishery products in the U.S. spent almost $75,000 during 1968 for advertising and promotion. Of this, almost $25,000 was spent on brand advertising and $50,000 for general product advertising. During 1969, Frionor expects to spend over $75,000 of which $50,000 will be for brand advertising and $25,000 for general advertising.

At the point of sale (retail level), some promotion is being carried out particularly by Coldwater and Mrs. Paul's Kitchens. However, it is only of a limited nature. To be effective, wholesale processors need to work more closely with the chains. Thus, in terms of both general fish consumption promotion as well as in the promotion of branded products, the magnitude of the effort expended appears to be less than that of other segments of the food industry.

5. SUPPLY MANAGEMENT

Among the Groundfish exporters on the Atlantic Coast, so far, there has not been any formal or informal co-ordination of, or co-operation in, the marketing effort aimed at regulating the flow of Groundfish supply to the U.S. market.* Nor has there been any organized form of production control adjusting either the mix or volume of production to the needs of the U.S. market. Under certain conditions, limiting the volume of shipments to the market during the season may help to increase prices at least in the short-run.

* Except the present purchase program of the Fisheries Prices Support Board

A planned scheme of Groundfish supply regulation to the U.S. market has not so far been employed on the Atlantic Coast. During 1968, Cod block sales to the U.S. from Canada, vis-à-vis its competitors were as follows:

MONTHLY COD BLOCK EXPORTS TO THE U.S. 1968

	Canada (million lbs.)	Iceland (million lbs.)	Norway (million lbs.)	Greenland & Denmark (million lbs.)
January	2.1	4.1	1.5	2.6
February	5.0	2.0	1.0	2.6
March	3.7	1.8	0.9	4.4
April	3.8	2.3	4.0	2.3
May	4.3	6.0	3.2	1.2
June	5.2	2.0	4.1	0.9
July	10.3	2.9	0.9	5.9
August	9.0	2.2	0.9	2.9
September	4.8	2.2	2.1	3.5
October	8.2	0.5	1.1	1.0
November	3.9	6.4	2.8	0.5
December	4.8	6.8	2.2	0.9
	65.1	39.2	24.7	28.7

It will be seen from the above that during the five months, from June to October 1968, Canada exported about 38 million lbs. of Cod blocks as compared with about 27 million lbs. during the remaining seven months of the year.

	Percent of Total Cod Block exports to the U.S. During June-Oct. 1969 %
Canada	58.0 of its total exports of Cod blocks
Iceland	25.0 of its total exports of Cod blocks
Norway	37.0 of its total exports of Cod blocks
Denmark & Greenland	50.0 of its total exports of Cod blocks.

Taking 1968 as an example, there appears to be an excessive concentration of Canadian Groundfish sales

during the season, indicating the absence of supply regulation. Related to supply regulation is production control, including the co-ordination of the production plans of the numerous Canadian producers.

The basic philosophy of Atlantic Coast exporters can be characterized as a "selling" rather than "marketing" approach leading to a lack of co-ordination between production and market requirements. For example, under a selling approach, the harvesting plans tend to be finalized independently of market and marketing requirements. What is harvested is processed into those products that can conveniently be packed. After the product is packed, an approach is made to the U.S. brokers and/or wholesale-processors for the sale of the products. In contrast to this, under a marketing approach, the starting point is the market. The exporter first ascertains what is marketable, and then orients his production effort to the market requirements. Some exporters on the Atlantic Coast, particularly those with U.S. distributing houses, have increasingly adopted the latter approach.

Tables 53 to 77 deal with the stocks, production and sales of Groundfish by month and by species for each of the provinces on the Atlantic Coast as well as for 18 selected Groundfish processing plants. The flow of monthly sales (domestic) and export was derived from beginning stocks, plus freezings during the month, less end of the month stocks. Taking 1968 as an example, the following was the pattern of Cod block sales from each of the provinces on the Atlantic Coast, by month.

COD FILLET SALES BY MONTH 1968

	Newfoundland (000 lbs.)	Maritime Provinces (000 lbs.)	Quebec (000 lbs.)	Total (000 lbs.)
January	314	1,113	60	1,487
February	1,075	1,640	---	2,715
March	1,102	1,054	5	2,161
April	1,070	537	12	1,619
May	1,381	1,750	---	3,130
June	2,697	1,307	335	4,339
July	1,008	1,552	136	2,696
August	550	1,388	182	2,120
September	1,722	1,118	630	3,470
October	1,315	1,332	407	3,054
November	985	2,020	257	3,262
December	661	1,449	230	2,340
T O T A L	13,880	16,260	2,254	32,393

COD BLOCK SALES BY MONTH 1968
(000 lbs.)

	Newfoundland	Maritime Provinces	Quebec	Total[46/]
January	2,995	966	25	3,986
February	3,219	1,361	---	4,580
March	4,597	675	---	5,272
April	3,682	891	---	4,573
May	2,512	1,175	52	3,739
June	2,963	1,147	392	4,502
July	12,206	1,261	552	14,019
August	5,983	1,900	871	8,754
September	4,201	1,161	1,298	6,660
October	5,085	1,784	1,504	8,373
November	4,361	1,199	525	6,085
December	2,003	714	315	3,032
T O T A L	53,807	14,234	5,534	73,575

The above table indicates the concentration of Cod block sales during the July-November period on

46/ It is noted that due to inter-provincial sales, the "total" column is likely to include some element of duplication.

the Atlantic Coast as a whole; in Nova Scotia, the sales are more evenly distributed; in Newfoundland the busy sales months are July to November and in Quebec, June to October.

MONTHLY SALES OF HADDOCK[47/] FILLETS 1968
($000)

	Newfoundland	Maritime Provinces	Quebec	Total
January	12	761	---	773
February	99	1,145	---	1,244
March	---	1,558	63	1,621
April	---	2,105	63	2,168
May	---	1,298	67	1,365
June	---	1,581	---	1,581
July	---	1,210	---	1,210
August	---	1,643	13	1,656
September	---	1,207	---	1,207
October	---	1,064	---	1,064
November	---	1,204	---	1,204
December	---	735	69	804
T O T A L	111	15,511	275	15,897

Tables 56, 64 and 72 provide details on Haddock block sales by month, for each of the provinces.

47/ Monthly sales data for each province do not include confidential figures; to that extent they are incomplete.

MONTHLY SALES OF FLOUNDER FILLETS 1968
(000 lbs.)

	Newfoundland	Maritime Provinces	Quebec	Total
January	1,527	1,353	---	2,880
February	1,959	1,333	18	3,310
March	1,997	1,339	64	3,500
April	1,715	1,060	90	2,865
May	2,191	1,421	81	3,693
June	1,656	1,869	567	4,092
July	908	1,906	204	3,018
August	2,016	1,088	176	3,280
September	2,056	1,548	18	3,622
October	2,685	1,436	276	4,397
November	3,250	1,414	136	4,800
December	2,466	952	94	3,512
T O T A L	24,426	16,719	1,724	42,869

Data on Flounder block sales are given in Tables 58, 66 and 74.

MONTHLY OCEAN PERCH FILLET SALES 1968
(000 lbs.)

	Newfoundland	Maritime Provinces	Quebec	Total
January	1,137	540	685	2,362
February	678	758	357	1,793
March	962	509	---	1,471
April	414	196	---	610
May	766	300	54	1,120
June	1,524	1,183	1,339	4,046
July	633	1,542	2,961	5,136
August	2,064	2,927	2,897	7,888
September	1,510	3,813	3,005	8,328
October	2,379	1,464	2,798	6,641
November	1,499	1,917	2,177	5,593
December	1,793	1,522	1,364	4,679
T O T A L	15,359	16,671	17,637	49,667

It will be seen from the above that the sales season for Ocean Perch fillets is from May to December in all the three areas.

MONTHLY OCEAN PERCH BLOCK SALES 1968

(000 lbs.)

	Newfoundland	Maritime Provinces	Quebec	Total
January	147	---	---	147
February	75	---	---	75
March	290	60	---	350
April	215	3	---	218
May	145	---	---	145
June	323	47	122	492
July	158	241	158	557
August	370	226	412	1,008
September	232	170	---	402
October	210	---	---	210
November	89	---	228	317
December	204	569	---	773
T O T A L	2,458	1,316	920	4,694

Figures 6 to 9 depict the configuration of the monthly sales for each of the provinces in selected Groundfish products.

Table 77 presents data on the flow of monthly sales on an individual plant basis. Due to the confidential nature of the data, we have withheld the name of the plants. Monthly sales figures are derived from beginning stocks, plus freezings, less ending stocks. Data for the years 1966-1968 cover fillets and blocks of Cod, Haddock, Flounder and Ocean Perch. It will be noted that for most of the bigger plants, there is a more even monthly distribution in the flow of sales than for the smaller plants. This table also helps to provide an idea of the production cycle (the freezing pattern) of several Groundfish plants and also gives an idea of the level of beginning and ending stocks.

SECTION VIII

THE MARKETING PERFORMANCE OF ATLANTIC COAST GROUNDFISH EXPORTERS

1. INTRODUCTION

In the preceding two sections of this report, an attempt was made to cover the Groundfish marketing structure on the Atlantic Coast and also the marketing conduct of Atlantic Coast exporters. It was pointed out that as compared with other Groundfish supplying countries, the Atlantic Coast had a fragmented marketing structure. This is manifested by the relatively large number of small exporters. They are relatively small not only in relation to the exporters in other competing countries but also in relation to the buyers in the U.S. (although there is a large number of listed buyers in the U.S., those that really count are fairly big and few in numbers). This fragmented structure of marketing is reflected in the marketing conduct of Atlantic Coast's Groundfish exporters. That is, there is little or no co-operation in, or co-ordination of, the marketing effort among the numerous sellers that compete with each other intensely in the U.S. market.

The result has often been a weak bargaining position and below cost-export price returns. Returns to almost identical products have also been different among different sellers depending upon the channel used to sell, and terms and conditions of sale. Consignment sales precipitated, to a large extent by a weak financial base, has continued to erode the price level so that even those exporters that are adequately capitalized have found it difficult secure an attractive price for their "commodity" products.

It was mentioned earlier that the direction of causation is from "marketing structure" through "marketing conduct" to "marketing performance". In this Section, therefore, an attempt is made to evaluate the performance of Atlantic Coast's Groundfish exporting. The analytical variables chosen to examine performance are: (a) the height of export selling price in relation to cost of production (as indicated by total processing costs per pound); (b) the quality and packaging of products; and (c) the rate of new product innovation. In looking at these aspects, this Section will also discuss related significant areas such as size of plant and cost of production; overall financial performance, etc.

2. STRUCTURE OF PROCESSING COSTS

Table 78 presents details of the profit and loss situation as well as the breakdown of all cost components for nine Groundfish processing plants on the Atlantic Coast. Cost details on a total plant basis are given in terms of the following cost elements, on a percentage basis:

(a) Direct Labour,
(b) Raw Material,
(c) Packaging,
(d) Transportation,
(e) Storage,
(f) Depreciation,
(g) Insurance,
(h) Other Variable Costs,
(i) Changes in Stocks; and
(j) Miscellaneous Costs.

2.1 Direct Labour Costs:

Table 78 not only indicates the relative size of each cost element in relation to total costs but

also indicates changes in the relative mix of costs over a period of time, in terms of each plant. Direct labour costs generally appear to range from 12% to 26% of total costs; there was considerable variation between companies in the size of their direct labour costs.

DIRECT LABOUR COST VARIATIONS
AMONG NINE PLANTS
(as % of total costs)

	1968
Plant 1	24.4
Plant 2	16.3 (1967 data)
Plant 3	13.1 (1967 data)
Plant 4	23.7
Plant 5	24.2 (1967 data)
Plant 6	25.9
Plant 7	26.1
Plant 8	18.3
Plant 9	12.3

There is clear evidence that with respect to eight of the nine plants under reference, direct labour costs as percent of total costs have risen during recent years.

DIRECT LABOUR COSTS IN TWO SELECTED YEARS
(as % of total cost)

Plant 1	15.9% (in 1963)	24.4% (in 1968)
Plant 2	17.9% (in 1966)	16.3% (in 1968)
Plant 3	8.2% (in 1965)	13.1% (in 1967)
Plant 4	16.3% (in 1966)	23.7% (in 1968)
Plant 5	19.3% (in 1963)	24.2% (in 1967)
Plant 6	23.9% (in 1967)	25.9% (in 1968)
Plant 7	25.4% (in 1967)	26.1% (in 1968)
Plant 8	14.7% (in 1966)	18.3% (in 1968)
Plant 9	7.7% (in 1966)	12.3% (in 1968)

2.2 Raw Material Costs:

Raw material costs range from 30% to 65% of total costs. The majority of the nine plants were in the 31% to 45% group. As in the case of direct labour

costs, there is considerable variation between plants in the size of their raw material costs:

RAW MATERIAL COSTS IN 1968
(as % of total costs)

Plant 1	44%
Plant 2	35% (1967 data)
Plant 3	63% (1967 data)
Plant 4	41%
Plant 5	41% (1967 data)
Plant 6	65%
Plant 7	31%
Plant 8	43%
Plant 9	35%

Some plants indicate lower raw material costs as % of total costs between two time periods, while others have experienced a rising trend.

2.3 Packaging Costs:

Packaging costs generally account for 5% to 6% of total costs. There is not much variation between plants in the percent share of pacakaging costs.

2.4 Transportation Costs:

Transportation costs appear to be about 6% to 7% of total costs. No significant changes in the magnitude of transportation costs as percent of total costs, are evident among the various plants.

2.5 Storage Costs:

Storage costs data are available only for three plants. It accounts for about 2% of the total costs.

2.6 Depreciation and Insurance Costs:

The average figure for depreciation is 6% of total costs. Insurance costs are approximately 1%.

2.7 Other Variable Costs: (including some variable costs)

Table 78 indicates a considerable degree of

variation among the nine plants with respect to their "other" variable costs. Probably, this is due to the different cost items that have been grouped under this heading by the different plants. In one plant, for which we have data for the 1963-1968 period, the "other" variable costs accounted for over 20% of total costs.

Changes in stocks is a relatively small cost item, accounting only for over 1%. Miscellaneous costs (including fixed overhead, interest payments to Government, etc.) account for 6% to 10% of total costs in some plants.

To summarize the structure of total costs, the following is an average percent breakdown of its constituent elements.

	Total Costs in 1968 (% of Total)
Direct Labour Costs	25.0
Raw Material Costs	45.0
Packaging	6.0
Transportation	5.0
Storage	1.5
Depreciation	4.0
Insurance	1.0
Other Variable Costs (including semi-variable)	11.0
Changes in Stock	1.0
Miscellaneous	0.5
	100.0 %

3. FINANCIAL POSITION OF GROUNDFISH EXPORTERS

Against this background of the structure of major cost components, it is useful to take a look at the financial position of Groundfish exporters. Data relating to the financial position are available only for nine plants. One limitation of the data is that it does not cover the same period for all the plants. Table 79 summarizes the position of nine processor-

exporters in terms of some comparative financial ratios. Subject to the limitations of inter-company comparisons, the ratios indicate the vulnerable and the deteriorating position of exporters:

In order to evaluate the financial position of exporters, the following indices have been developed:

(a) current assets to current debt
(b) net profits on sales;
(c) net profits on net working capital;
(d) collection period;
(e) net sales to inventory;
(f) current debt to inventory; and
(g) inventory to current assets.

The current assets to current debt position of all the nine plants covered, in almost all the years under reference has been reasonably satisfactory. In this regard, a 1 to 1 ratio is a minimum requirement. In the case of almost all plants, the ratio indicates a position slightly better than 1 to 1. A ratio of 2 to 1 would seem to indicate a conservative situation.

In contrast to a reasonably sound current assets position, the processors have had an unsatisfactory situation with respect to working capital and inventories. Both these positions indicate poor financing. Apropos working capital, the following table indicates the weak position of processors.

WORKING CAPITAL POSITION OF PROCESSORS

($000)

	Plant 1	Plant 2	Plant 3	Plant 4	Plant 5	Plant 6	Plant 7	Plant 8	Plant 9
1963	416	---	---	---	361	---	287	---	---
1964	564	---	---	1,855	325	---	---	---	---
1965	785	12	54	1,041	253	346	265	---	---
1966	432	137	59	571	685	136	790	---	71
1967	833	(17)	58	271	(604)	36	500	---	(10)
1968	35	n.a.	n.a.	(1,108)	n.a.	n.a.	(800)	1,077	(54)

It will be noted that the working capital position of most companies has deteriorated in recent years. The situation was intolerable, particularly during 1968. The collection period has not improved to lighten the load on working capital. The meagre data available indicate that almost all the nine plants incurred losses for most of the years concerned; that is, there is little or no net profit on sales. As far as the relationship between current debts and inventory is concerned, many companies have a percentage of over 150%, indicating an unsatisfactory position. What it indicates is a situation of high inventories and low working capital. Most companies indicate a situation of rising current debt, as will be seen from the following table:

CURRENT DEBT

	Plant 1	Plant 2	Plant 3	Plant 4	Plant 5	Plant 6	Plant 7	Plant 8	Plant 9
1963	340	531	---	----	474	---	---	---	---
1964	207	703	---	2,158	664	---	1,478	---	---
1965	256	691	78	2,696	819	434	1,885	---	---
1966	625	796	142	2,182	2,526	587	1,960	---	401
1967	457	973	116	3,258	2,012	692	2,150	---	584
1968	1,041	---	---	3,309	---	---	3,200	180	606

The ratio of inventory to current assets indicate that for several processors, inventories constituted over 50% current assets. This again is not a very satisfactory position.

As information is available only on nine processors, we have not been able to compute an industry average. However, Table 79 amply illustrates the financial weakness and under capitalization of all the processors covered.

4. EXPORT SELLING PRICE IN RELATION TO COST OF PRODUCTION

4.1 Nature of Cost and Price Data:

During the market survey on the Atlantic Coast, it was possible to obtain data on the costs and returns of several Groundfish processors on different Groundfish products, produced and exported by them into the U.S. Returns to exporters on the following products are given in Tables 80 to 93.

(a) Cod:
1. cod products (fillets and blocks);
2. cod 1's;
3. cod 5's;
4. cod blocks (16½ lbs.).

(b) Haddock:
1. haddock 1's;
2. haddock 5's;
3. haddock blocks (16½ lbs.).

(c) Flounder:
1. I.Q.F.;
2. flounder 1's;
3. flounder 5's;
4. flounder products (fillets and blocks).

(d) Perch:
1. perch 1's;
2. perch 5's;
3. perch 10's;
4. perch blocks (16½ lbs.);
5. perch I.Q.F.;
6. perch products (fillets and blocks).

(e) Catfish:
1. catfish 1's

In this section costs and returns of exporters are analyzed in terms of both plants and firms. Some firms operate more than one plant. The criterion used

to measure the size of different plants and firms is employment. Employment is taken to include both production as well as office employees (including executives, sales and other staff). Care has been taken to include only those employees who relate to Groundfish processing and selling. The employment figures quoted mostly relate to the year 1966. Figures for later years, by plant and firm, are not available. For some firms cost data are available for a three year period: 1966, 1967 and 1968. In order to maintain the confidentiality of data, we have withheld the names of plants.

On account of the different sources from which information was collected, it was not possible to obtain cost-component data on a uniform basis for all products. Two sets of cost components are presented here. For Cod "products", Flounder "products" and Ocean Perch "products", costs and returns are given in terms of the following:

Raw material;
Boat expenses;
Packaging;
Direct labour;
Indirect labour;
Fringe benefits;
General plant expenses;
Cost of processed products;
Selling price to the U.S.; (f.o.b. plant, Canadian funds;) and
Margin.

For all other Groundfish products exported, processor costs are given in terms of:

Raw materials;
Purchasing expenses;
Packaging;
Direct labour;
Other plant expenses;
Cost at plant;

Transportation;
Duty;
Brokerage/sales expense;
Landed cost in the U.S. market; and
Margin.

All costs and margins are expressed in terms of cents per pound, in Canadian funds.

Tables 94 to 97 deal with processing cost data according to a plant and firm basis for Cod, Haddock, Flounder and Ocean Perch. In these four tables costs are broken down in terms of:

(a) raw material,
(b) direct labour,
(c) packaging, and
(d) all other plant expenses.

4.2 Costs and Returns on Cod Products:

Cod products include Cod fillets as well as blocks. Table 80 presents the cost components of spread between exporters' buying and selling price for Cod products. It will be seen from the Table that the most of the exporters in 1967 and 1968 sold their products in the U.S. market at below cost prices on an f.o.b. plant basis.

Year	Number of Exporters Selling to U.S.	Exporters Selling Below Cost	Exporters Selling Above Cost	Margin Below Cost (-) (cents per lb.)	Margin Above Cost (+)
1966	8	3	5	2.3 2.5 1.2	1.7 1.3 2.2 3.1 n.a.
1967	8	7	1	2.5 1.1 0.3 2.0 8.7 8.5 2.3	1.2
1968	5	5	-	1.0 0.9 2.3 0.9 4.2	

Table 94 presents the structure of processing costs for Cod . Raw materials account for over 35% of the total processing cost. For a few companies, raw materials account for almost 50% of the total cost of processed Cod products. Direct labour as a percent of total costs, range from 39% for a plant employing 29 to 24% for a plant employing 152. Packaging expenses are in the order of 6-7%; other plant expenses range from about 40% for a plant of 58 employees to about 20% for a plant of 152 employees. Despite these observations, there does not appear to be a direct relationship between plant size and plant cost. In other words, the figures do not substantiate that as plant size increases, costs decrease. For example, for Cod products total unit costs were 24.8 cents per lb. for the smallest firm, and 27.4 cents per lb. for the largest.

Total Unit Processing Costs (¢ per lb)	Raw Material Costs (%)	Direct Labour Costs (%)	Packaging Costs (%)	All Other Plant Costs (%)
24.8	33.7	38.9	5.5	21.9
23.0	41.1	17.5	5.9	35.5
23.2	47.5	27.4	4.7	20.4
25.7	34.8	30.5	9.5	25.2
21.5	34.5	36.3	5.5	23.7
21.6	36.0	30.2	7.8	26.0
21.8	39.6	26.1	4.7	29.6
23.3	36.2	26.5	9.1	28.2
22.9	34.3	37.1	4.6	24.0
27.4	53.8	23.5	0.5	22.2

4.3 Costs and Returns on Cod 1's:

Table 81 gives the costs and returns of seven exporters on Cod 1's. During 1967, four exporters out of a total of seven, sold Cod 1's at below cost prices:

- 6.5¢ per lb.

- 8.9¢ per lb.

- 1.6¢ per lb.

- 0.9¢ per lb.

Table 94 gives data on the processing cost of Cod 1's with respect to seven plants:

Total Unit Processing Costs (¢ per lb.)	Raw Material Costs (%)	Direct Labour Costs (%)	Packaging Costs (%)	All Other Plant Costs (%)
24.0	50.0	20.8	8.4	20.8
25.1	49.4	22.7	7.2	20.7
20.7	50.7	16.9	3.4	29.0
31.4	47.4	11.6	4.8	36.2
26.2	45.9	14.9	10.7	28.5
21.8	49.4	27.5	12.6	10.5
30.8	42.3	22.3	7.2	28.2

4.4 Costs and Returns on Cod 5's:

The export price on Cod 5's are available only for threeexporters (Table 82). Of these one exporter sold at below landed cost in the U.S. (1.3¢ below cost) and the other above cost (.04¢).

Total Processing Cost (1968) (¢ per lb.)	Raw Material Costs (%)	Direct Labour Costs (%)	Packaging Costs (%)	Other Costs (%)
22.1	55.9	21.5	9.0	13.6
25.1	47.8	15.6	6.8	29.8
23.6	56.2	18.6	7.0	18.2

4.5 Costs and Returns on Cod Blocks (16½ lbs.):

Export margins on Cod blocks were as follows (Table 83):

Year	Number of Exporters	Selling Below Cost	Selling Above Cost	Margin Below Cost (-) (cents per lb.)	Margin Above Cost (+)
1967	8	7	1	5.3 2.7 1.1 4.4 6.7 5.2 n.a.	1.1
1968[48/]	8	8	-	5.8 6.5 4.0 8.6 8.6 5.0 3.2 1.0	

Processing costs for Cod blocks are given below in terms of plants as well as firms (Table 94):

Total Processing Cost (¢ per lb)	Raw Material Costs (%)	Direct Labour Costs (%)	Packaging Costs (%)	Other Plant Costs (%)
24.0	50.2	20.8	8.3	20.9
19.5	59.0	20.5	10.3	10.2
26.3	51.4	19.0	2.9	26.7
24.0	58.3	16.7	4.2	31.0
24.1	49.9	16.2	2.9	11.2
21.0	43.3	31.9	13.6	20.8
22.7	58.6	19.4	3.0	19.0

Total Processing Cost (¢ per lb)	Raw Material Costs (%)	Direct Labour Costs (%)	Packaging Costs (%)	Other Plant Costs (%)
24.5	48.7	32.7	2.9	15.7
27.3	37.8	30.1	4.6	27.5
27.9	56.1	19.2	2.9	21.8
21.7	55.4	16.4	4.5	23.7
27.2	49.6	25.7	6.4	18.3
22.9	46.9	21.6	3.1	28.4
25.3	48.4	22.4	2.8	26.4

48/ Although 10 exporters of Cod blocks are listed in Table 83, data on export selling price are available for eight exporters. All of these exporters sold below cost.

As in the case of most other Groundfish items, the data do not reveal any direct relationship between plant size and costs.

4.6 Costs and Returns on Haddock Blocks:

Table 84 presents details on Haddock 1's, Haddock 5's and Haddock blocks. It indicates that during 1968, three plants for which data are available sold Haddock blocks at below cost prices: -7.7¢ per lb.,; -6.3¢ per lb. and -10.9¢ per lb. Table 95 deals with the processing costs of Haddock blocks, in terms of plant size.

Total Processing Costs (¢ per lb)	Raw Material Costs (%)	Direct Labour Costs (%)	Packaging Costs (%)	Other Plant Costs (%)
26.9	55.8	13.9	2.6	27.7
23.1	61.6	16.8	3.0	18.6
29.9	58.5	18.3	2.9	20.3
29.8	53.8	23.5	5.9	16.8
32.2	58.2	18.1	2.5	21.2

4.7 Costs and Returns on Flounders:

Table 85 relates to the Flounder, sole and I.Q.F. The export price data are not available; it has not been possible to calculate the margins to exporters.

Table 86 presents data on Flounder 1's. Almost all the plants listed appear to have sold below cost during 1965, 1966, 1967 and 1968. The 1969 situation is most likely to be very different, as the price of flounder has risen substantially in the U.S. in the last few months. Table 96 provides data on Flounder processing costs according to plant size. The data presented do not indicate any direct relationship between plant size and plant costs. It appears that 45% to 50% of total processing costs are accounted for by raw material costs, 18% to 25% by direct labour costs, about 70% by packaging costs, and the rest by

other plant expenses.

Tables 87 and 88 provide data on Flounder 5's, Flounder blocks (17½ lbs.) and Flounder products. As will be seen from these tables, most processors listed sold their Flounder 5's, blocks and "products" (block and fillets) at below cost prices.

For example, with respect to Flounder "products" the extent of losses incurred by eight exporters are shown by the following:

- 2.4¢ per lb.
- 4.9¢ per lb.
- 2.2¢ per lb.
- 1.2¢ per lb.
- 2.3¢ per lb.
- 0.6¢ per lb.
- 0.8¢ per lb.
- 2.6¢ per lb.

For details concerning the breakdown of processing costs in relation to the size of plants, reference may be made to Table 96.

4.8 Costs and Returns on Ocean Perch:

Tables 89, 90, 91 and 92 deal with Perch: Perch 1's, Perch 5's, Perch I.Q.F., Perch 10's, Perch blocks and Perch products (fillets and blocks). Several plants sold their Perch products at below cost prices during 1966, 1967 and 1968:

	Perch 1's Sales Below Cost
1966	-8.8¢ per lb. -7.0¢ per lb.
1967	-5.9¢ per lb. -1.6¢ per lb.
1968	-6.2¢ per lb. -2.2¢ per lb. -3.9¢ per lb.

	Perch 5's
1966	-1.8¢ per lb.
1967	-9.2¢ per lb. -2.8¢ per lb.
1968	-3.4¢ per lb.

	Perch Products
1967	-2.9¢ per lb. -1.9¢ per lb. -9.4¢ per lb. -1.5¢ per lb. -0.7¢ per lb.
1968	-1.0¢ per lb. -2.1¢ per lb. -1.2¢ per lb. -3.4¢ per lb.

Table 97 relates to the processing costs of Perch items according to plant size. As in the case of other Groundfish items, there does not appear to be a direct relationship between size of plant and costs.

PERCH 1's

Total Cost (¢ per lb)	Raw Material Costs (%)	Direct Labour Costs (%)	Packaging Costs (%)	Other Plant Costs (%)
27.9	43.1	11.5	9.0	36.4
21.6	37.8	15.0	12.9	34.5
18.9	37.1	35.4	15.1	12.4
20.6	43.7	28.2	6.2	21.9
27.2	33.7	23.8	11.6	30.9
29.2	48.3	20.1	10.7	20.9
21.0	37.0	29.1	10.8	22.2
24.9	29.7	28.1	14.9	27.3

For the processing costs of Perch blocks, Perch 5's and Perch products, reference may be made to Table 97.

4.9 Costs and Returns in Catfish:

Table 93 indicates that during 1966, 1967 and 1968, one plant on the Atlantic Coast was able to obtain substantial margins from the export of Catfish 1's: 11¢ per lb. in 1966 and 14.6¢ per lb. in 1968.

4.10 Summary of Costs and Returns on Groundfish products:

It can be seen from the foregoing paragraphs of this Section that the marketing performance of almost all Groundfish exporters was marked by the unsatisfactory nature of their incomes and prices. The tables referred to in this section have indicated the extent to which below cost sales are made with regard to each of the major exported Groundfish items. In order to put the Groundfish operations on a sound and ongoing basis, it is necessary to achieve an increase in selling price in relation to costs of production.

Taking Cod blocks as an example, the following were the mid-month prices to primary wholesalers (f.o.b.) Gloucester, Boston and New Bedford, Mass. during 1963-1969.

WHOLESALE PRICES FOR COD BLOCKS
(U.S. funds - cents per lb.)

	1963	1964	1965	1966	1967	1968	1969
January	24.8	24.0	28.0	29.5	23.0	26.6	21.5
June	24.3	24.0	29.0	28.0	23.0	23.5	24.0
December	24.3	28.0	29.5	23.0	25.8	21.5	----

The following table indicates the changes in the yearly average prices of Cod blocks (prices to primary wholesalers in New England).

U.S. MARKET PRICE OF COD BLOCKS
(cents per lb. Canadian Funds - Yearly average)

1964	1965	% Change	1966	% Change	1967	% Change	1968	% Change	1969	% Change
26.7	31.4	17.6	29.5	-6.1	25.1	-14.9	25.2	0.4	23.5	-6.7

Distress sales of Groundfish "commodity" items is a common feature of Atlantic Coast marketing. The exporters resort to distress sales due (a) to their

inability to hold inventories; and (b) to their inability to preserve for an indefinite period of time the quality of their products in storage. For example, during 1968, many exporters sold Cod products at 5% to 18% below costs; Cod blocks (16½ lbs.) at 18% to 27% below costs. Many sold their Perch 1's at 13% to 20% below costs; Perch 5's at 13% below costs; Perch products at 5% to 16% below costs; Haddock blocks (16½ lbs.) at 20% to 25% below costs and Flounder blocks at 25% below costs, Flounder products at 14%-27% below costs. Their below-cost sales were partly compensated for, by the Federal Government assistance to maintain prices at the primary producer level. Thus, on almost all commodity items of Groundfish, the returns to the exporter were poor.

During our market survey on the Atlantic Coast, exporters were asked to provide data on their export selling prices by month. Some processor-exporters responded. The prices - relating to three exporters - for several Groundfish items are given in Tables 98, 99 and 100.

Exporter 1 (covered in Table 98) is a foreign owned Groundfish processing company operating on the Atlantic Coast. Exporter 2 (Table 99) is a co-operative operating on the Atlantic Coast, and sells mostly to U.S. processors, and to some extent brokers. Exporter 3 (Table 100) is an Atlantic Coast exporter operating a distributing house in the U.S. On the basis of these three tables, as well as the tables referred to earlier on the Costs and Returns on Groundfish, it is reasonable to state that the returns of exporters with distributing houses in the U.S. are higher than those without them.

5. CHANGES IN PROCESSING COSTS

5.1 Cost-Price Squeeze:

In the foregoing, several references to the absolute level of processing costs were made. In the following paragraphs an attempt is made to analyse the changes in the level of different cost components, by size of plant - (costs are given in cents per pound).

During recent years, several components of processing costs have increased in the face of weakening market prices. This has had a crippling effect on the financial and operating position of most Groundfish exporters.

5.2 Changes in the Processing Costs of Cod Blocks (16½ lb.):

5.2.1 Changes in Total Processing Costs (¢ per lb.):

1965	1966	% Change	1967	% Change	1968	% Change
21.9	23.8	8.6	24.5	3.1	--	--
----	22.9	---	27.7	21.0	27.9	0.6
----	----	---	26.3	----	22.9	-13.0
20.5	----	---	----	----	25.3	23.4
						(1965-1968)

5.2.2 Changes in Direct Labour Costs (Costs per lb.)

Plant	1965	1966	% Change	1967	% Change	1968	% Change
1	5.6	7.1	26.8	8.0	12.6	-	-
2	-	4.4	-	5.2	18.1	5.3	1.9
3	-	-	-	4.8	-	5.0	4.1
4	4.3	-	-	-	-	5.7	32.6 (1965-68)

5.2.3 Changes in Raw Material Costs (Costs per lb.)

Plant							
1	12.0	12.0	-	11.9	-0.9	-	-
2	-	12.2	-	14.3	17.2	15.6	9.0
3	-	-	-	10.9	-	10.7	-1.9
4	10.9	-	-	-	-	12.3	12.8 (1965-68)

5.2.4 Changes in Packaging Costs (Costs per lb.)

Plant							
1	0.7	0.7	-	0.7	-	-	-
2	-	0.72	-	0.78	8.3	0.82	5.1
3	-	-	-	0.77	-	0.70	-9.1
4	0.54	-	-	-	-	0.70	29.6 (1965-68)

5.2.5 Changes in Other Plant Expenses (Costs per lb.)

Plant							
1	3.4	3.8	11.7	3.8	-	-	-
2	-	5.4	-	7.3	35.1	6.1	-16.5
3	-	-	-	9.9	-	6.4	-35.4
4	4.8	-	-	-	-	6.7	39.5 (1965-68)

It will be seen from the above, that while cod block prices have declined and risen during the 1964-69 period, the processing costs have steadily increased, thereby creating a cost-profit squeeze and precipitating distress conditions in the Groundfish processing industry.

5.3 CHANGES IN THE PROCESSING COST OF OCEAN PERCH (Example, Perch 1's)

5.3.1 Changes in Total Processing Costs (cents per lb.)

Plant	1966	1967	% Change	1968	% Change
1	25.5	26.2	2.7	21.6	-17.6
2	-	17.2	-	18.9	9.8
3	26.7	27.2	1.8	-	-
4	23.9	29.6	23.8	29.2	- 1.4

5.3.2 Changes in Raw Material Costs (cents per lb.)

Plant					
1	9.2	10.4	13.0	8.1	-22.2
2	-	6.0	-	7.0	16.6
3	-	11.2	-	9.2	-17.9
4	10.8	14.6	35.1	14.1	- 3.5

5.3.3 Changes in Direct Labour Costs (cents per lb.)

Plant					
1	3.2	3.5	9.3	3.3	- 5.8
2	-	6.1	-	6.7	9.8
3	-	4.7	-	6.5	38.2
4	4.7	6.8	44.6	5.9	-13.3

5.3.4 Changes in Packaging Costs (cents per lb.)

Plant					
1	2.8	2.1	-25.0	2.8	33.3
2	-	2.8	-	2.9	3.5
3	-	3.4	-	3.1	- 8.9
4	2.9	-	-	3.1	6.8

5.3.5 Changes in Other Plan Expenses (cents per lb.)

Plant					
1	10.2	10.2	-	7.5	-26.5
2	-	-	-	-	-
3	-	7.3	-	8.3	13.6
4	5.5	7.4	34.5	6.1	-17.6

5.3.6 Changes in the Market Price of Frozen Perch 1's in the U.S.

The wholesale and retail prices of Frozen Perch (1 lb. fillets) in the U.S. during 1957-1969 were as follows (in U.S. funds - cents per lb.):

	Wholesale Price	% Change	Retail Price	% Change	
1957	27.9	-	42.9	-	
1958	29.4	5.3	45.6	6.2	
1959	28.3	-3.8	47.5	4.1	
1960	27.9	-1.5	47.4	-0.3	
1961	29.5	5.7	47.5	0.2	
1962	32.1	8.8	50.0	5.0	
1963	33.6	4.6	52.6	5.2	
1964	30.8	-8.4	52.8	0.3	
1965	30.9	0.3	52.7	-0.2	
1966	31.8	2.9	54.1	2.6	
1967	28.4	-10.7	54.1	-	
1968	27.1	-4.6	53.9	-0.4	
1969 (Jan.-Apr.)	28.4	4.7	54.1	0.3	(Jan.-Mar.)

It will be seen from the above, that while the perch fillet prices at the wholesale and retail market levels have not shown any marked improvement, the processing costs of Atlantic Coast exporters have increased, thereby decreasing export margins.

5.4 CHANGES IN THE PROCESSING COST OF FLOUNDER (Example Flounder 1's

5.4.1 Changes in Total Processing Costs (cents per lb.)

Plant	1965	1966	%	1967	%	1968	%
1	--	30.8	-	34.0	10.4	-	-
2	-	30.4	-	32.5	6.9	26.2	- 19.4
3	-	-	-	30.7	-	31.8	3.6
4	-	-	-	28.7	-	31.9	11.1
5	26 1	-	-	-	-	33.0	26.4

5.4.2 Changes in Raw Material Costs (cents per lb.)

Plant							
1	-	15.0	-	15.0	-	-	-
2	-	12.4	-	13.1	5.6	12.0	-8.4
3	-	12.9	-	12.2	5.7	-	-
4	-	-	-	15.0	-	14.7	-2.0
5	13.6	-	-	-	-	17.0	25.0

5.4.3 Changes in Direct Labour Costs (cents per lb.)

Plant	1965	1966	%	1967	%	1968	%
1	--	3.2	-	6.2	93.7	-	-
2	-	5.0	-	6.5	30.3	3.9	-40.0
3	-	6.7	-	8.2	22.3	-	-
4	-	-		6.6	-	7.5	13.6
5	5.2	-	-	-	-	6.3	21.1

5.4.4 Changes in Packaging Costs (cents per lb.)

Plant							
1	-	2.5	-	2.5	-	-	-
2	-	2.8	-	2.8	-	2.8	-
3	-	2.8	-	2.7	-3.6	-	-
4	-	-	-	3.1	-	3.3	6.5
5	2.9	-	-	-	-	3.3	13.8

5.4.5 Changes in Other Plant Costs (cents per lb.)

Plant							
1	-	8.8		8.9		-	-
2	-	10.2		10.2		7.4	-
3	-	8.2		8.6		4.9	-
4	-	-		9.9		6.4	-35.4
5	4.4	-		-		6.3	43.2

5.4.6 Changes in the Market Price of Flounder Fillets

The following table indicates the market price for Flounder 1 b. frozen fillets in the U.S. market for the 1963-1969 period:

U.S. Funds (cents per lb.)

	1963	1964	1965	1966	1967	1968	1969
Jan.	39.5	39.0	36.5	40.0	45.0	38.5	42.5
Feb.	39.0	39.0	35.0	42.0	42.0	38.5	42.5
Mar.	38.5	39.0	37.5	42.0	41.5	38.5	48.0
Apr.	38.5	37.0	37.0	43.0	38.0	37.5	40.0
May	39.0	36.5	39.0	43.0	39.5	41.5	
June	39.5	36.5	39.0	43.0	40.0	41.5	
July	39.5	39.5	38.5	43.0	38.5	41.5	
Aug.	39.0	37.5	39.0	43.0	38.0	37.5	46.0
Sept.	39.5	36.5	39.5	42.0	38.0	37.5	
Oct.	39.5	36.5	39.5	43.0	38.0	39.5	
Nov.	39.0	35.0	41.0	43.5	39.0	40.0	
Dec.	39.0	36.5	40.0	45.0	39.0	40.5	
Yearly Average	39.1	37.2	38.5	42.7	39.7	39.4	

It will be seen that Flounder fillet prices have improved somewhat during 1967-69, and partially in 1969 to some extent offsetting the increase in processing costs at the exporter level.

6. COSTS AND RETURNS AT THE U.S. PROCESSOR LEVEL

6.1 In comparison with the unstable nature of incomes and prices at the processor-exporter level on the Atlantic Coast, the returns at the broker, wholesale-distributor, wholesale processor, and chain level in the United States appear to have remained stable at a satisfactory level. It is reasonable to assume that the cost of many inputs of U.S. processors and buyers have increased in recent years. However, the cost of their major input viz. raw material, has continued to decline in price. Monthly wholesale prices at Boston, Mass., for cod sticks (breaded, cooked, 8 oz.), Haddock sticks (breaded, cooked, 8 oz.), Raw breaded Cod portions (1-4 oz.), Raw breaded Haddock, portions (1-4 oz.), 1 lb. and 5 lbs. fillets of Cod, Haddock, Redfish and Flounder have all held fairly stable and strong during 1967 and 1968 and 1969. The selling price of a major wholesale processor for one of his major products (8 oz. Cod fish sticks) was more than 45% of his costs. The returns (before taxes) at the wholesale-distributor, Institutional and chain level have remained at around the 25-28% (and at times 30-35%) level in recent years. The broker commission has also remained in the range of the 5% to 8% of sales during the past few years. Prices at the retail level have also held firm. This was evident from the noted prices for various Groundfish retail items during our U.S. market survey.

Table 101 presents a comparison between the monthly prices of Cod Blocks and Cod Sticks and Cod Portions (at the primary wholesale level, Boston, Mass.) for the 1964-1969 period. For the purposes of comparison, these price data have been expressed on an index basis (1964 average equals 100) and presented in Figure 10. This figure indicates the lag in the prices of sticks and portions as compared with the prices of Cod Blocks. That is, increases in the price of Cod Blocks tend to have a higher upward impact on the prices of the products that are manufactured from Cod Blocks, viz., Cod Sticks and Cod Portions, than a decrease in its price.

Declines in Cod block prices have not been directly reflected in corresponding changes in the prices of Cod block products as is evident from the chart. It appears that upward changes in the Cod Block prices seem to get relatively quickly reflected in the prices of its manufactured products; and downward changes in Cod block prices do not tend to be so immediately reflected in terms of a downward movement of Cod sticks and portions prices. That is, product prices appear to be more regid downwards and less rigid upwards.

The chart shows that corresponding to the fall

in the prices of Cod blocks in 1967 and 1968, there was no fall in the prices of Cod sticks and portions, indicating (other input costs remaining the same) a higher profit margin to the U.S. processor. There is a far greater degree of competition in the selling of Cod blocks in the U.S. market among the several international and intranational competitors than in the selling of Cod sticks and Cod portions. The latter is a sheltered industry in the U.S. Moreover, the number of fish sticks and portion manufactured are limited in number; there appears to be a relatively high degree of concentration in the manufacturing of sticks and portions. Therefore there is no compulsion from competitive market forces to effect an immediate and corresponding downward movement in the wholesale prices of sticks and portions, corresponding to lower Cod block prices. The price of sticks and portions have continued to maintain their strength in the face of a weakening Cod block price at the primary wholesale level. The demand for sticks and portions, as mentioned earlier in this report (under Section V on the U.S. Groundfish Market) continues to grow rapidly. Thus, despite strong demand at the retail level, Cod block prices have declined causing distress to Cod block producers - producers at the primary (catching) and secondary levels in the supplying countries. The U.S. Groundfish processors appear to be well insulated from serious instabilities in their incomes and prices by virtue of (a) the intense degree of price competition among the competitive suppliers of Cod blocks (a commodity item), and (b) the sheltered nature of, and the relatively high degree of concentration in the sticks and portions manufacturing industry. It is possible that part of

reason for the downward rigidity of sticks and portion prices is the rising processing costs of U.S. processors.

(See also Figures 11 to 15)

6.2 RETURNS TO U.S. CHAINS ON FISHERY PRODUCTS

The following table[49/] indicates the weekly performance of a New Jersey chain store, during a four week period in May of each year (1956-1968) in the sale of seafoods (Groundfish and other products):

	Square Inch of Case Space	% of Total Case Space	Unit Sales Per Sq. Inch	Dollar Sales	% of Dollar Sales	Dollar Gross Profit	% of Total Dollar Profit	Gross Profit Per Square Inch	Gross Margin
1956	7046	9.08	.34	1303.19	11.11	270.65	-	.0384	20.77
1958	7759	7.29	.29	1276.97	10.04	286.82	11.82	.0370	22.46
1960	8092	7.05	.24	1112.48	9.67	262.71	10.99	.0325	23.62
1962	11321	6.65	.16	1289.19	9.64	326.13	9.84	.0288	25.30
1964	12423	6.53	.15	1405.50	9.27	382.40	9.04	.0308	27.30
1966	14332	6.59	.16	1862.01	10.97	455.62	9.45	.0318	24.47
1968	15980	5.91	.16	2662.21	10.53	639.33	9.59	.0400	26.85

The following table presents a comparison of gross margins for the same chain, for different products (1968 data):

	Gross Profit per square inch - $	Gross Margins-%
Vegetables	0.0930	28.49
Fruits	0.0939	27.98
Juices	0.0325	26.45
Seafoods	0.0400	26.85
Meat & Poultry	0.0329	28.34
Pot Pies, Dinners etc.	0.0288	26.63
Specialities	0.0207	25.49

49/ Source, U.S. Frozen Food Fact Book and Directory, 1969 (p 55)

7. PRODUCER, PROCESSOR AND MARKETING MARGINS IN GROUNDFISH

The main thrust of the preceding pages of this Section has been to demonstrate (a) the far greater degree of instability in the prices and incomes of Atlantic Coast exporters vis-a-vis the U.S. processors and distributors; and (b) the circumstances surrounding the cost-profit squeeze faced by the Atlantic Coast exporters. To carry through this discussion, it is essential to look also at the level of margins and changes in margins over a period of time, of the main participants in the market, viz, the primary producer on the Atlantic Coast, the processor-exporter, the U.S. processor, etc. Therefore an attempt has been made in the paragraphs that follow to discuss the nature and magnitude of price spreads between the Atlantic Coast Grounfish producer and the U.S. consumer. For the purposes of analysis, the following four items of Atlantic Coast Groundfish exports have been chosen:

Frozen Cod 1's
Frozen Haddock 1's
Frozen Flounder 1's and
Ocean Perch 1's

Table 102 indicates the price spead between the different marketing levels on these items for the period 1960-68. (Some data are available only for the 1965-68 period). Prices at three different levels are given: (a) prices at the Atlantic Coast exporter level; (b) prices at the wholesale level in the U.S, and (c) prices at the retail level in the U.S. The share of the primary producer of these three respective prices is called **the producer margin.** The term "producer" connotes independent fishermen with their own boats and/or fish processing companies engaged in harvesting fish (vertically integrated backward). In order to

evaluate the position of primary producers and exporters in relation to the U.S. marketers, data have been developed in terms of the following for Cod, Haddock, Flounder and Ocean Perch:

(a) Total landed volume on the Atlantic Coast,

(b) Total landed value on the Atlantic Coast,

(c) Exvessel price per lb.,

(d) Price per lb. of fillet, using the appropriate recovery[50/] yield rates for the different species of fish,

(e) The duty paid export price of Atlantic Coast exporters to the U.S.,

(f) The wholesale price of the item in the New England Area,

(g) The retail price of the item in several cities in the U.S.

On this basis, an attempt was made to develop the share of the primary producer and exporter on the Atlantic Coast in the U.S. wholesale and retail price.

7.1 MARGINS ON 1 LB. FROZEN COD FILLETS

The ex-vessel price per lb. (landed weight) of Cod on the Atlantic Coast has increased from 2.73¢ in 1960 to 4.23¢ in 1968, as follows:

C O D

	Ex-vessel price per lb. (cents per lb.)
1960	2.73
1961	3.01
1962	3.22
1963	3.47
1964	3.84
1965	4.11
1966	4.43
1967	4.50
1968	4.23

[50/] For example, the following recovery rates were used to convert landed weight to fillet weight: Cod, 0.33; Haddock, 0.37; Perch 0.25 and Flounder, 0.28. That is, 100 lbs. of landed cod fish (gutted head-on) would yield 33 lbs. of fillets, and so on.

During the first five months of 1969, the ex-vessel price of Cod was as follows:

	Quantity Landed (000 lbs.)	Landed Value ($000)	Ex-vessel Price (per lb.) (cents per lb.)
Jan. 1969	16,844	753	4.47
Feb. 1969	21,894	962	4.39
Mar. 1969	18,649	776	4.16
Apr. 1969	22,510	942	4.18
May 1969	32,907	1,423	4.32
Jan.-May	112,990	4,856	4.30

On a filleted basis, the price per lb. of Cod to the processor was as follows:

	(Cents per lb.) (Product Weight)
1960	8.27
1961	9.12
1962	9.75
1963	10.51
1964	11.63
1965	12.45
1966	13.42
1967	13.64
1968	12.82
1969 Jan.	13.55
Feb.	13.30
Mar.	12.61
Apr.	12.67
May	13.09

During 1965-68, the Atlantic Coast exporters' average selling price in the U.S. for frozen 1 lb. Cod fillets was:

	(Canadian Funds) (Cents per lb.)
1965	28.50
1966	29.00
1967	28.10
1968	31.05

The U.S. wholesale price for 1 lb. frozen Cod fillets has remained at around the 32-34¢ level (Canadian funds) during the 1961-68 period. (Vide Table 102). The retail price for Cod 1 lb. frozen fillet is not available. It is estimated that in the NewEngland Area, this fillet sells at around 54¢ per lb. (Canadian funds). The price in the Los Angeles

market during two selected periods for Cod of different brands was as follows:

	As at 23 Nov. 1966 (Canadian Funds)				As at 22 Jan. 1969 (Canadian Funds)			
	Buying	Non-Competitive Selling	Independent Store Selling	Chain Store Selling	Buying	Non Competitive Selling	Independent Store Selling	Chain Store Selling
1. Certifresh 12 #1 Cod Frozen Fillets (Skinless)	50.2	72.4	68.0	63.7	50.8	72.4	70.2	68.0
2. Icelandic 12 #1 Cod Fillets	55.6	78.8	76.7	74.5	47.0	76.7	74.5	74.5
3. Rupert 12 #1 Cod Fillets	50.2	72.4	70.2	68.0	-	-	-	-

It will be noted that Icelandic Cod fillets are selling at a higher price than Canadian fillets; also that the retail price of 1 lb. frozen Cod fillets is much higher in Los Angeles than in New England by at least 14¢ per lb. or 26%. (New England price is estimated at 54 ¢ per lb. (Canadian funds) and the Los Angeles price at 68¢ per lb. (Canadian funds).

Table 102 indicates that the fillet price (the price received by the Atlantic Coast primary producer) as a percent of the Atlantic Coast export price

in fact improved during 1965-67, from 43.7 in 1956 to 48.5 in 1967; it appears to have declined in 1968 to 41.3%. The producer's share has clearly improved when considered as a percent of the U.S. wholesale price from 29.3% in 1960 to 38% in 1968 as follows:

	1 lb. Frozen Cod Fillets - Primary Producer's Share of U.S. Wholesale Price
	%
1960	29.3
1961	28.4
1962	28.5
1963	32.1
1964	34.8
1965	34.0
1966	35.9
1967	41.8
1968	37.7

The Atlantic Coast exporters' share of the wholesale price in the U.S. during 1965-68 was:

1965	77.9
1966	77.5
1967	86.2
1968	91.3

7.2 MARGIN ON 1 LB. HADDOCK FROZEN FILLETS

Table 102 also presents the producer, exporter and wholesaler share of U.S. retail price for Haddock 1 lb. frozen fillets.

	Ex-vessel Price of Haddock on the Atlantic Coast Per lb. (landed weight) (Canadian Funds)	Corresponding Price Per lb. of Fillet (Canadian Funds)
1960	3.87	10.46
1961	3.92	10.59
1962	4.23	11.43
1963	5.41	14.62
1964	5.85	15.81
1965	6.51	17.59
1966	6.76	18.27
1967	6.63	17.92
1968	7.54	20.38

As compared with early sixties, the price of Haddock at the ex-vessel level and filleted level has increased. The share of the producer as a percent of the export price on the Atlantic Coast was: 46.3 in 1965; 45.7 in 1966; 49.5 in 1967 and 57.2 in 1968. The fillet price as a percent of U.S. wholesale price for Haddock 1 lb. fillets, has also increased during the 1960-68 period, from 36.2 in 1960 to 44.2 in 1968.

	Atlantic Coast Fillet Price as % of U.S. Wholesale Price	Atlantic Coast Export Price as % of U.S. Wholesale Price	Export Price as % of U.S. Retail Price
1960	18.8	-	-
1961	18.5	-	-
1962	19.1	-	-
1963	23.5	-	-
1964	24.2	-	-
1965	26.3	91.7	56.7
1966	25.5	94.0	55.8
1967	24.6	90.9	49.6
1968	28.0	77.3	48.9

Atlantic Coast exporters' share of the wholesale and retail prices has declined. The U.S. wholesale price share of the final retail price of frozen Haddock 1 lb. fillets has remained more or less stationary during recent years.

7.3 MARGIN ON FLOUNDER 1's

	Ex-vessel Price (Cents per lb. landed weight)	Filleted Price (Cents per lb. fillet weight)
1960	3.11	11.10
1961	3.09	11.04
1962	3.17	11.32
1963	3.18	11.36
1964	3.23	11.54
1965	3.20	11.42
1966	3.33	11.89
1967	2.94	10.50
1968	2.96	10.57

The fillet price as a percent of Atlantic Coast export price has declined somewhat: 30% in 1965 and 26% in 1968. The fillet price as a percent of U.S. wholesale price has also indicated a declining trend: 29% in 1960 and 25% in 1968. However, the exporters share of the U.S. wholesale price has increased slightly- 92% in 1965 and 97% in 1968.

7.4 MARGIN ON OCEAN PERCH 1's

The ex-vessel price of Perch has remained some what stationary during 1960-68: 2.62¢ per lb. of landed weight in 1968. (The same was the case in the filleted price). There was no marked change in the share of

fillet price as percent of export price, 41% in 1968. In 1968, the share of fillet price as percent of wholesale price was 36%, an increase of 5 percentage points from the previous year. Fillet price as percent of U.S. retail price has remained somewhat stationary. The export price as percent of U.S. wholesale price increased from 75% in 1965-66 to 88% in 1967-68. The export price as percent of U.S. retail price was 45% during the last four years.

7.5 INTER-PRODUCT MARGIN COMPARISONS

Comparisons of Fillet Prices (Landed Level)

(Cents per lb.)

	Cod	Haddock	Flounder	Ocean Perch
1960	2.73	10.46	11.10	9.96
1965	4.11	17.59	11.42	10.48
1968	4.23	20.38	10.57	10.48

(See Tables 103 to 106 for details on Groundfish ex-vessel prices on the Atlantic Coast)

Comparisons of Fillet Price Share of Export Price

%

	Cod l's	Haddock l's	Flounder l's	Ocean Perch l's
1965	43.7	46.3	30.1	41.1
1966	46.3	45.7	30.1	43.6
1967	48.5	49.5	25.9	35.1
1968	41.3	57.2	25.8	40.5

Fillet Price Share of U.S. Wholesale Price

%

	Cod l's	Haddock l's	Flounder l's	Ocean Perch l's
1960	29.3	36.2	28.9	35.5
1965	34.0	42.5	27.5	31.5
1968	37.7	44.2	24.9	36.0

Fillet Price Share of U.S. Retail Price

%

	Haddock	Ocean Perch
1960	18.8	20.9
1965	26.3	18.5
1968	28.0	18.0

Export Price Share of Wholesale Price

%

	Cod l's	Haddock l's	Flounder l's	Perch l's
1965	77.9	91.7	91.6	76.5
1966	77.5	94.0	85.9	74.3
1967	86.2	90.9	94.6	88.2
1968	91.3	77.3	96.5	88.7

Export Price Share of U.S. Retail Price

%

	Haddock l's	Perch l's
1965	56.7	44.8
1966	55.8	43.7
1967	49.6	46.2
1968	48.9	44.5

Wholesale Price Share of Retail Price

%

	Haddock l's	Perch l's
1960	51.9	58.9
1965	61.8	58.5
1968	63.2	50.2

In summary these figures indicate that the producer, i.e. the fisherman, has retained an increasing share of the export price for Haddock and Ocean Perch, a declining share of the export price for Flounder, and a share which increased from 1965 to 1967 for Cod, but declined in 1968. The fisherman has obtained an increasing share of the U.S. wholesale price in Cod and Haddock, a fairly stable share in Ocean Perch, and a declining share only in Flounder.

7.6 AVAILABLE PRICE INFORMATION ON GROUNDFISH PRODUCTS

During our market survey in the U.S. price information at the wholesale and retail levels were collected wherever possible. This information is set forth in Tables 107 to 115.

Table 107 gives data on prices paid by a sample of U.S. households for fresh and frozen Groundfish in the U.S. in February and June 1969. The other tables

deal with wholesale and retail prices in selected cities in the U.S. These Tables help to identify the price differences between different brands of the same Groundfish product in selected cities.

8. QUALITY AND PACKAGING ASPECTS OF ATLANTIC COAST GROUNDFISH EXPORTS

At the outset of this Section (Paragraph 1) it was mentioned that three variables were chosen to evaluate the marketing performance of Atlantic Coast Groundfish exporters. The burden of the foregoing paragraphs (Paragraphs 1-7) was to discuss a variety of aspects relating to export selling price in relation to cost of production, structure of processing costs, producer and marketing margins, etc. The remaining two variables to be considered in evaluating marketing performance are: (a) the quality and packaging of Atlantic Coast Groundfish exports, and (b) the rate of new product innovation. This section deals with the former. Paragraph nine will discuss the latter.

The financial breakdown of Atlantic Coast exporters has tended to be reflected in the quality of products exported to the U.S. recently, During 1967, 1968 and in the early part of 1969, there were an increasing number of rejections of Atlantic Coast products by U.S. importers on grounds of quality and conformation. The conformation defects of Canadian frozen blocks have caused a lower yield to U.S. processors, reportedly about 8% less than comparable Scandanavian blocks. The Canadian blocks are not always consistent and uniform resulting in work delay, machine delays, etc. Several shipments of Canadian blocks have been rejected due to the presence of worms in recent years.

To some extent, distress sales from the Atlantic Coast have been the result of quality defects and quality deterioration in storage. The Canadian products also appear to lack distinctiveness and brand image. Frequently, small packers with sub-standard plant facilities turn out poor quality products. Quality problems have their roots in the nature of plant and equipment, the degree of adherance to quality control in the plant, etc. Many plants do not seem to care much about quality control until something seriously goes wrong. In addition, there are several plants in Newfoundland, New Brunswick and Nova Scotia which lack proper facilities to maintain cool temperatures during catching and processing operations. Increased packing control and packing to specifications would help to improve product quality.

It was commented by several U.S. importers that the packaging of Canadian fillets and other items destined for the U.S. market is far from distinctive. Particularly in comparison in the Icelandic and Norwegian packaging, the Atlantic Coast's performance seems to be inferior. Thus, in terms of both product quality and product-packaging, the performance of Atlantic Coast exporting is far from satisfactory.

9. PRODUCT INNOVATION

The final variable selected to examine the marketing performance of Atlantic Coast exporters has been the rate at which they have introduced new products into the market.

As far as the export market is concerned, a few exporters have attempted to introduce new products such as I.Q.F. and layer packs, Jumbo fillets, various types of gourmet cuts, etc. Despite these

small efforts, the existing product portfolio is limited mostly to traditional items such as frozen blocks and 1 lb. and 5 lb. packs. Presently there are severe plant constraints on product diversification, e.g. lack of tunnel freezing limits entry into I.Q.F. and layer pack products. New Product research is not generally undertaken in the industry except by two or three major firms.

The scale of U.S. tariffs at present inhibit the export of pre-cooked products. New product introduction has therefore been a piecemeal effort, mostly because of circumstances beyond the control of Atlantic Coast exporters.

SECTION IX

GROUNDFISH STOCK LEVELS AND GROUNDFISH PRICES IN THE U.S.

1. INTRODUCTION:

In this section, an attempt will be made to examine the stock levels for Groundfish blocks both in the U.S. and on the Canadian Atlantic Coast. levels in other competing countries are not readily available. In order to assess the impact of stock levels on the U.S. market prices, particularly at the primary wholesale level, it is necessary to have details of stocks in all supplying countries, and particularly in Canada, Norway, Iceland, Denmark and Greenland, Poland, and West Germany.

Blocks are generally used in the production of sticks and portions. Therefore, in evaluating the size of stocks and their impact on prices, it is also essential to look at the production and consumption of sticks and portions in the U.S.

2. HOLDINGS OF COD BLOCKS:

Table 116 presents the monthly U.S. and Atlantic Coast holdings of Cod Blocks during the 1964-1969 (Jan-July) period.[51/]

With respect to the Atlantic Coast, the peak months for Cod Block holdings generally are June, July, August, September and to some extent, October. The average volume of stocks in these months generally exceed the 15 million pounds level and at times have reached the 20 million pound level.

Cod block stock levels on the Atlantic Coast during April-Dec. 1968, on a monthly basis, have been considerably higher than the corresponding levels in the preceding year. The following table indicates the percent increase/decrease in stock levels of Cod Blocks on the Atlantic Coast, during 1964-69, between corresponding months.

51/ The U.S. does not give a breakdown of its holdings of blocks and slabs in terms of Cod, Haddock, Flounder, Ocean Perch, etc. Therefore it was necessary to estimate the proportion of Cod Block holdings as percent of total frozen blocks. Cod Blocks account for approximately 65% to 67% of total imports of blocks into the U.S. It is assumed that at least 75% of frozen block holdings in the U.S. consist of Cod blocks. On this basis, it was possible to estimate the volume of Cod blocks held in cold storage; 75% is a low figure; the proportion of Cod blocks to total block holdings, in the opinion of a few U.S. buyers should be closer to 80% or 85%.

Month	1965-64 (% CHANGE)	1966-65 (% CHANGE)	1967-66 (% CHANGE)	1968-67 (% CHANGE)	1969-68 (% CHANGE)
Jan.	- 84.0	159.0	264.6	- 45.2	46.1
Feb.	- 43.8	6.6	136.0	- 8.5	- 6.9
Mar.	- 50.4	49.6	11.1	- 4.1	0.5
Apr.	44.1	69.7	- 53.0	75.4	- 11.4
May	41.2	24.7	- 52.0	80.1	8.3
June	- 8.5	39.5	- 40.9	58.3	4.2
July	- 23.4	50.3	- 55.7	82.3	-
Aug.	- 34.2	82.2	- 62.0	98.2	-
Sept.	- 17.7	76.2	- 63.0	86.7	-
Oct.	- 46.3	233.3	- 70.0	109.7	-
Nov.	- 27.3	526.3	60.0	12.1	-
Dec.	64.3	412.0	- 45.6	14.3	-

It can be noted from Table 116, that in 1966 and 1968, monthly stocks on the Atlantic Coast were considerably higher than the corresponding months in 1965 and 1967. During the first five months of 1969, stocks have averaged 3-5 million lbs per month; at the end of June 1969 stocks of Cod Blocks were at 14 million lbs. Table 117 expresses the Atlantic Coast's holdings of Cod Blocks on an index basis (1964 average equals 100).

The U.S. Stock Levels are given in Table 116. An Index of these stock levels are given in Table 117. The stocks do not evidence any particular pattern in terms of periods of low stocks and periods of high stocks, as in the case of Canadian Atlantic Coast holdings. This is, perhaps, due to the international nature of the U.S. market, reflecting the impact of demand and supply conditions. It will be noted that during 1966 and 1968, stocks on a monthly basis were considerably higher than the corresponding months during 1965 and 1967. This is evident from the following table. At the end of July 1969, Cod Block holdings reached an all-time high level of 36 million lbs. in the U.S. The previous high was 33.3 million lbs. in December 1968.

STOCKS OF COD BLOCKS IN THE U.S.

Month	1965-64 (% Change)	1966-65 (% change)	1967-66 (% change)	1968-67 (% change)	1969-68 (% change)
Jan.	- 37.7	131.1	5.4	-15.1	29.4
Feb.	- 28.6	139.7	102.2	-13.9	26.8
Mar.	- 21.9	224.6	-15.8	- 4.2	22.1
Apr.	- 3.6	156.2	-10.6	21.7	-0.7
May	22.2	42.4	-11.9	33.7	1.1
June	40.2	39.0	-27.7	39.1	16.8
July	41.7	38.2	-22.2	41.8	20.6
Aug.	113.7	47.0	-32.0	37.9	-
Sept.	77.5	10.0	-23.4	21.6	-
Oct.	85.7	9.9	-21.4	37.0	-
Nov.	103.9	- 3.3	-24.2	53.4	-
Dec.	86.7	- 5.7	- 8.3	37.4	-

It will be noted that during 1965, 1966, 1968 and 1969, U.S. stock levels were higher than the corresponding months in the previous years. In fact, the average level of stocks have increased during the 1964-1969 period and larger stocks seem to be the pattern. This is perhaps a reflection of both demand and supply conditions. Concerning demand, it will be noted from figures given elsewhere in this report that the per capita consumption of sticks and portions have risen considerably in the past, indicating a steadily rising demand for blocks (See Figure 16).

In order to get a comprehensive picture of the stock situation with regard to blocks, we have combined the holdings on the Atlantic Coast and in the United States. Figures relating to the total holdings of Cod Blocks are given in Table 116.

The following was the monthly average total holdings on the Atlantic Coast and in the U.S. for the period 1964 to 1969.

	000's lbs.
1964	20,212
1965	23,696
1966	36,478
1967	26,370
1968	34,217
1969 (7 Mos.)	18,393

Stock levels in 1966 and 1968 have been considerably higher than that of 1964, 65 and 67. The 1969 levels are likely to exceed that of 1968. The following table indicates the percent change in the holdings of Cod Blocks on the Atlantic Coast and in the U.S. on a monthly basis.

Month	65/64	66/65	67/66	68/67	69/68
Jan.	-46.0	132.8	10.1	-20.8	31.6
Feb.	-31.4	120.0	11.7	-13.1	21.4
Mar.	-36.9	224.0	-13.1	- 4.3	19.3
Apr.	5.4	133.9	-18.3	27.5	- 1.9
May	27.1	37.3	-22.4	41.2	9.3
June	15.3	39.2	-33.0	46.0	-
July	5.7	43.0	-37.3	56.0	-
Aug.	21.0	59.0	-43.7	53.8	-
Sept.	33.2	29.0	-39.0	37.1	-
Oct.	33.7	45.3	-38.7	50.3	-
Nov.	78.3	39.8	-36.9	44.0	-
Dec.	85.1	18.7	-17.7	33.5	-

3. COD BLOCK HOLDINGS AND COD BLOCK PRICES

Table 117 presents, among other details, comparative data on Cod block prices and Cod block holdings in (a) the U.S. (b) the Atlantic Coast and (c) the U.S. and the Atlantic Coast, all on an index basis (1964 average equals 100). Figure 17 depicts the movement of prices and stocks of Cod blocks on a monthly basis during the 1964-1969 period. The chart does indicate some overall relationship between the size of stock levels and prices. It would appear that it is not so much the absolute levels of stocks that influence prices, as the amount of unsold stocks in U.S. Cold storages held by potential sellers. Data on the volume of unsold blocks in cold storages are not available. Cold storage holdings generally consist of (a) holdings by U.S.processors/Importers (b) U.S. brokers, and (c) Foreign processors. The U.S. brokers would, probably, be holding whatever unsold stocks (for example, consignment shipments) existed.

It will be seen from Figure 17 that while month to month changes in stocks have had little influence on prices, over a longer period stock levels have had an effect on price. For example, the build-up of inventory during 1966, produced a drop in price and this was followed by a drop in inventories. And, as inventories were built up again, prices tended to decline. Basically, stock levels reflect the impact of landings. The following were the periods of low stocks during the 1964-1969 period:

1964	-	March, April
1965	-	February, March
1966	-	March, April
1967	-	March, April, May
1968	-	February, March
1969	-	February, March, April

The peaks occurred during the following months:

1964	-	March to Sept.
1965	-	March to Sept.
1966	-	March to Sept.
1967	-	March to Sept.
1968	-	April to Sept.
1969	-	July

Table 30 shows the monthly apparent consumption of frozen blocks or slabs [52/] in the U.S. during the 1964-69 period. In computing monthly apparent consumption in the U.S., production (freezings) of blocks have not been taken into account. The U.S. freezings of blocks amount approximately to 6 million lbs. per year.

It is interesting to examine the end of month stocks in relation to monthly apparent consumption (Table 30). The amount by which inventory exceeds the apparent consumption level is, perhaps, a yardstick to judge the adequacy or otherwise of the level of stocks. During the 66 months covered by the table, the size of inventory (expressed as number of times the size of apparent consumption) was as follows:

52/ All Groundfish Blocks and Slabs.

	1964	1965	1966	1967	1968	1969
Jan.	1.7:1	1.1:1	1.8:1	1.5:1	1.1:1	1.5:1
Feb.	1.1:1	0.9:1	1.7:1	1.9:1	1.3:1	1.7:1
Mar.	0.6:1	0.4:1	1.5:1	1.2:1	1.1:1	1.0:1
Apr.	0.7:1	0.6:1	1.2:1	2.0:1	1.6:1	1.7:1
May	1.2:1	1.0:1	1.5:1	1.5:1	1.1:1	1.1:1
June	1.3:1	1.1:1	1.4:1	1.2:1	1.5:1	2.5:1
July	1.5:1	1.8:1	3.5:1	2.0:1	2.2:1	-
Aug.	1.6:1	1.3:1	3.3:1	1.5:1	1.9:1	-
Sept.	1.5:1	3.3:1	2.0:1	1.5:1	1.8:1	-
Oct.	1.1:1	2.1:1	2.1:1	2.1:1	2.3:1	-
Nov.	1.2:1	3.1:1	2.5:1	1.8:1	2.3:1	-
Dec.	1.6:1	2.0:1	2.1:1	4.8:1	2.0:1	-

It appears that stocks of blocks in relation to the apparent consumption of blocks were high during the later half of 1965, 1966 and 1968. In general, a stock size of 1.5 times the apparent consumption may be considered normal; anything over 1.5 may be considered high.

Imports constitute almost the entire consumption of blocks in the U.S. The monthly volume of imports have increased during 1964 and 1969 (6 mos), as follows:

	Average Monthly Imports of Frozen blocks into the U.S. (million lbs)
1964	13.8
1965	17.9
1966	17.2
1967	15.8
1968	21.8
1969 (6 mos avg.)	19.1

	Increase in Monthly Average Imports %
1968-64	57.9
1968-65	21.8
1968-66	26.7
1968-67	38.0

The six month average of monthly imports of blocks during 1969 was 19.1 million lbs. as compared with 20.3 million lbs. during the first six months of 1968. Stock levels may also be related to the production of fish sticks and portions. The following table shows the volume of apparent consumption of blocks, and the volume of production of fish sticks and portions, on a yearly basis.

YEAR	APPARENT CONSUMPTION OF BLOCKS (MIL. LBS.)	PRODUCTION OF FISH STICKS & PORTIONS (MIL. LBS)
1964	169.0	179.2
1965	197.4	222.9
1966	208.7	229.0
1967	192.4	232.3
1968	249.0	270.8

The following table compares the growth in stocks in relation to the production of fish sticks and portions during the 1964-69 period, on a monthly basis (million lbs. and percent)

	1964			1965		
	S [53]	P [53]	% [53]	S	P	%
J	24.8	16.0	65	16.0	16.3	102
F	17.2	15.5	90	12.2	15.0	123
M	10.9	15.7	144	8.5	20.8	245
A	9.9	13.8	139	9.5	17.1	180
M	13.1	13.2	101	16.0	16.1	101
J	14.0	11.8	84	19.7	18.2	92
J	18.5	10.3	56	26.2	15.4	59
A	23.9	15.6	65	29.6	21.7	73
S	22.7	16.3	72	40.3	21.2	53
O	20.1	18.0	89	37.3	21.9	59
N	18.7	17.0	90	38.2	18.9	49
D	20.0	15.7	79	37.4	19.3	52

53/ S: ending stocks of blocks (million lbs.)
P: production of fish sticks and portions (million lbs) - the additional weight from breading, and batter is noted.
%: production as a percent of stock

	1966			1967		
	S	P	%	S	P	%
J	35.9	18.5	52	35.9	20.4	57
F	29.4	19.8	67	29.4	20.4	69
M	27.6	23.2	84	27.6	22.8	83
A	24.4	16.6	68	24.4	16.6	68
M	22.8	16.1	71	22.8	18.3	80
J	27.3	20.0	73	27.3	16.0	38
J	36.1	11.0	30	36.2	13.9	38
A	43.5	19.9	46	43.4	20.7	48
S	44.3	21.3	48	44.3	19.7	44
O	41.0	22.7	55	41.0	21.6	53
N	37.3	21.2	57	37.3	18.4	49
D	35.2	18.6	53	35.2	23.5	67

	1968			1969		
	S	P	%	S	P	%
J	28.8	22.0	76	37.3	28.0	75
F	25.9	21.3	82	32.8	27.5	84
M	22.3	24.8	112.2	27.2	29.8	110.0
A	26.7	24.0	90.0	26.6	n.a.	
M	26.7	21.2	79	27.2	n.a.	
J	27.5	21.1	77	32.2	n.a.	
J	40.0	17.4	44	48.2	n.a.	
A	40.8	24.0	59			
S	41.3	23.6	57			
O	44.1	27.9	63			
N	43.4	22.8	53			
D	44.4	20.7	47			

It will be noted that during 1964 and 1965, the end of month stocks were not much in excess of the monthly production sticks and portions.

In fact, during several months, monthly production exceeded the size of stock levels, thereby indicating a growing pressure on stocks. However, during 1966 and 1967, stocks were 1.5 to 1.6 times the level of monthly production. The situation was much the same during the latter half of 1968(as seen from the less than 50% figures, that is, Production as % of stocks). In order to obtain a more complete picture, it is necessary to add the stocks in other countries, such as Canada, Iceland, Denmark, Greenland, Norway and Poland. Probably, that would indicate that stocks are over twice the level of monthly production of fish sticks and portions in the U.S.

Figure 16 indicates the movement on an index basis (1964 average = 100) of monthly apparent consumption of frozen blocks and slabs in the U.S. and the price of cod blocks.[54/] Drops in cod block prices have been gnerally accompanied by a higher consumption level, particularly since 1966. The following is a comparative view of the production of sticks and portions, total apparent consumption of sticks and portions, and per capita consumption of stick and portions.

	Sticks & Portions Production (Mil lbs.)	Sticks & portions Total App. Consumption (Mil lbs.)	Sticks & portions Per Capita Cons. (lbs.)
1958	82,801	81,857	0.470
1959	97,525	96,902	0.547
1960	114,523	112,519	0.625
1961	129,671	128,653	0.703
1962	150,895	150,173	0.807
1963	173,946	172,267	0.912
1964	179,164	185,617	0.969
1965	222,947	217,105	1.120
1966	228,996	224,100	1.144
1967	232,273	238,200	1.204
1968	270,800	261,600	1.308

54/ Consumption figures relate to all frozen blocks.

Yearly Rate of Change In

	Production %	App. Consumption %	Per Capita %
1959	17.7	18.4	16.4
1960	17.4	16.1	14.3
1961	13.2	14.3	12.5
1962	16.3	16.7	14.8
1963	15.2	14.7	13.0
1964	2.9	7.7	6.3
1965	24.4	17.0	15.6
1966	2.7	3.2	2.1
1967	1.4	6.2	5.2
1968	16.5	9.8	8.6

During the 10 year period, the average yearly growth rate was as follows:

	1965-68 %
In production	12.6
In Apparent Consumption	12.3
In Per Capita Consumption	10.8

Tables 118 to 121 provide information on Groundfish prices in the U.S., as well as holdings in New England cold storages. Table 122 deals with the holdings of Cod Blocks by 18 Groundfish processing plants on the Atlantic Coast for the years 1966 to 1968.

4. GROUNDFISH FILLET HOLDINGS IN THE U.S.

The situation with respect to fillet stocks is given in Table 123. This table presents the total holdings of Groundfish fillets (includes Haddock, Cod, Ocean Perch and Flounder fillets) on the Atlantic Coast and in the U.S. on a monthly basis, beginning with January 1964 and ending with June 1969. Prices relating to these products are given in Table 118. In comparison, stock levels for Cod fillets (1's and 5's) during the latter half of 1966, 1968 and 1969 (to date) appear to be higher than that of the corresponding months in the previous years. On the whole, prices have held firm for most fillets. The following is a

comparative view of the prices of different species of fillets. (Cents per lb. - U.S. funds).

	Mid January		Mid July
1963	30-33	Cod 1's ¢ per lb.	29-33
1964	28-30		28-30
1965	30-34		33-35
1966	35-38		33-36
1967	31-35		28-31
1968	32-35		30-33
1969	29-31		29-32
		Cod 5's	
1963	27-30		23-25
1964	23-26		24-25
1965	27-29		30-31
1966	32-35		30-32
1967	25-26		25-28
1968	30-33		24-25
1969	28-28		26-28
		Haddock 1's	
1963	38-40		36-38
1964	38-40		35-39
1965	39-43		38-40
1966	41-44		41-43
1967	40-41		35-40
1968	38-42		37-38
1969	50-52 (est)		49-54
		Haddock 5's	
1963	34-37		32-35
1964	34-36		31-35
1965	37-40		36-37
1966	39-42		37-40
1967	35-38		32-38
1968	36-38		28-29
1969	48-50		48-50

Redfish 1's

1963	32-35	31-35
1964	33-34	30-32
1965	29-32	31-33
1966	30-34	31-34
1967	28-31	27-30
1968	27-28	26-29
1969	28-29	29-30

Flounder 1's

1963	38-41	38-41
1964	38-40	36-39
1965	35-38	37-40
1966	38-42	41-44
1967	40-45	36-41
1968	37-40	35-38
1969	40	52-56 (end of Aug. 65-70)

Haddock and Flounder fillet stocks on a monthly basis during 1968 and 1969were lower than the corresponding months in previous years. The following table illustrates the holdings with respect to Cod and Ocean Perch, Haddock and Flounder in Canada and the U.S. during 1964-1969. (million lbs).

COD

	End of Jan.	End of July	End of Dec.
1964	7,727	6,469	8,384
1965	7,080	8,388	7,174
1966	6,479	13,154	16,199
1967	17,512	11,770	7,940
1968	7,376	11,682	12,115
1969	13,186	16,912 end of June	

OCEAN PERCH

1964	13,125 55/	9,926 55/	17,911
1965	15,410	9,779	14,875
1966	12,163	10,565	24,313
1967	20,897	11,572	24,864
1968	20,043	12,503	24,616
1969	16,379	8,300 end of June	

HADDOCK

1964	3,477 55/	8,918 55/	9,082
1965	7,427	8,689	7,559
1966	6,451	8,872	9,742
1967	8,986	10,542	8,751
1968	6,892	7,774	5,653
1969	8,340	4,481	

FLOUNDER

1964	7,459	4,658	14,005
1965	9,520	6,602	9,511
1966	7,661	8,259	14,885
1967	13,709	13,731	16,796
1968	14,446	11,241	10,541
1969	8,340	6,927 end of June	

As referred to earlier in the Report Tables 53 to 76 present data by species and by province of the monthly holdings (beginning as well as ending inventories) of Groundfish on the Atlantic Coast.

These tables together with Table 123 would provide a comprehensive picture of the size of holdings for each of the provinces on the Atlantic Coast.

55/ U.S. Stocks only.

SECTION X

GROUNDFISH MARKETING SUPPORT SERVICES ON THE ATLANTIC COAST

1. INTRODUCTION

In the preceding sections of this report, several aspects of Atlantic Coast's Groundfish marketing with particular reference to the U.S. was examined including the marketing structure, marketing conduct, marketing performance, stock levels and prices. etc. This Section attempts to examine the adequacy or otherwise of the essential marketing support services. Support services are essential to the performance of the marketing function. They include (a) market information, (b) finance, (c) freezing and cold storage, (d) transportation, (e) labour and management skills, etc. The elimination of problems and obstacles in these areas should help in improving the level of marketing efficiency.

2. MARKET INFORMATION

Adequate and timely information about the prevailing and prospective prices in the principal and alternative markets and at the different seasons of the year can serve as a signal to increasing or decreasing the volume of output as well as in varying the production mix, to serve market requirements. If one seller (producer) can compare the price that he received with those received by other suppliers, then that will aid in the maintainence of fair prices. Thus, speedy and accurate information about prices, volume traded, stocks, conditions and terms of sale, number of buyers and sellers in the market,etc., are basic to the efficient conduct of marketing. It is exceedingly difficult to undertake marketing planning decisions without such information. In the following paragraphs, an attempt has been made to evaluate the nature and

performance of the market and marketing information services as it pertains to Groundfish marketing from the Atlantic Coast. The discussions are grouped under the following heads:

(a) Market information on Groundfish supplies;

(b) Market information on prices, conditions and terms of sale, etc.;

(c) Market information on demand outlook; and

(d) Market information agencies.

2.1 Market Information on Groundfish Supplies:

Access to better information concerning supplies should enable wholesalers, distributors and retailers to develop potential consumer demand.

Such information would, generally tend to reduce their business risks and enable them to operate on lower margins. This should prove beneficial to both producers and consumers. When up-to-date and accurate information is lacking, buyers tend to seek wider margins as a hedge against price changes.

Thus, inadequate market information can lead to inefficiencies, particularly in the case of perishable products. In the absence of current information about the composition and nature of stocks available, products and particularly commodity products such as Cod blocks can be unloaded on an already saturated market, thereby percipitating distress sales. It is not only the buyers and sellers that need advanced information but also the transport and storage agencies.

Inadequate information about the state of total supplies from competing countries and about the demand conditions at the primary wholesaler level in the U.S. has been a characteristic weakness of the Atlantic

Coast Groundfish marketing process. This has, largely, been due (a) to the lack of co-operation among competing suppliers to the U.S. market on an international and intra-national basis; (b) to the lack of a central information machinery to collect, evaluate, assess and disseminate relevant data on past, present and future trends on production, stocks, price trends, etc.

More specifically, as far as the supply of Groundfish to the U.S. market from the several competing sources is concerned, there is, at present, no central information agency which provides data to Atlantic Coast exporters on the significant elements of the U.S. supply and demand situation. Information is available on the current production and stocks in Canada and the U.S. However, such information is lacking for other major suppliers, such as Iceland, Norway, Denmark and Greenland, Poland and West Germany.

Similarly, although information on monthly U.S. and Canadian stocks are available, such information does not indicate, for example, (a) stocks of blocks by species: Cod, Haddock, Ocean Perch, etc.; (b) stocks of blocks by sizes: 14½ lbs., 16½ lbs., etc.; (c) stocks of "unsold" (consigned) fish awaiting sale and (d) holdings of U.S. processors (already purchased). For a seller from outside the U.S., what is important is not only information about the absolute level of stocks per se, but also the size of "unsold" stocks, by country of origin. Depending upon the rate at which blocks are absorbed into the production of fish sticks and portions, total stocks held, as well as the volume of consigned stocks, can exert different kinds of pressures on the price of blocks.

Further, the data available on Groundfish suppliers are mostly historical in character. What is ideally required is data on the basic as well as potential future suppliers. In the absence of data on potential suppliers from different producing countries, the sellers are unable to regulate the flow of their sales into the U.S. in such a manner as to maximize their market returns. Individual exporters, particularly on the Atlantic Coast, do not have the necessary facilities in their organizations to develop the required market data. Failing such information, they operate on the basis of imperfect market knowledge. In contrast, the U.S. buyers - at least the major ones - appear to be well informed about the production and stock levels in various supplying countries, using this information they have increasingly come to plan their purchasing operations. Thus, while there is some evidence of growing "market planning" on the part of the buyers with respect to their purchases, there is little or no market planning on the part of sellers.

To summarize, to enable the exercise of proper market planning with respect to the Groundfish marketing operation in the U.S., the following information, on a continuing basis is a must:

(a) Past, present and future (forecast) landings and utilization in all major supplying countries;

(b) The nature and characteristics of inventory levels in the supplying countries and in the U.S., on a monthly or preferably a bi-weekly basis;

(c) The seasonal sales pattern (cycle) of different countries taking into account the beginning inventory, production and ending inventory;

(d) Demand factors affecting the disappearance of

blocks in the U.S.; and the relationship between production and consumption of sticks and portions and stocks of blocks;

(e) Details of U.S. stock level in terms of (i) Groundfish species; (ii) size of blocks; (iii) location of holdings; and (iv) the distribution between "sold" and "unsold" holdings.

2.2 Market Information on Prices:

Generally speaking, difficulties encountered in ascertaining the actual prices received by different sellers prevent individual sellers from selling efficiently. The publicized data on prices (e.g., the Boston Blue Sheet) does not specify actual volume and prices at which actual day-to-day transactions take place. The Blue Sheet indicates only an average of reported prices from about 15 to 20 U.S. buyers located in the New England area. These buyers report prices on a voluntary basis. In actual practice, they often report prices higher or lower than the actual price paid, depending upon the market situation. Hence the price reported in the Blue Sheet is at best only a guide to marketing. To be more meaningful, it is necessary to have, on an individual buyer basis, the actual volumes traded, prices and stocks. An attempt to gather such data was made by the North Atlantic Fillet Council. However, this Council was disbanded shortly after its formation.

In order to make possible a more efficient marketing process, it is necessary to have more accurate and speedy information about the actual volume and prices at which these volumes are traded, the terms and conditions of sale, discounts offered, etc.

2.3 Market Information on Demand:

Information on the demand outlook in prospective markets is of the utmost significance in the planning of production and marketing activities. Insufficient knowledge about the nature and characteristics of demand can result in excess production of one product and shortage of another. Similarly, lack of knowledge about the spatial deminsions of the market can result in too much product going into one segment of the market and too little to another. Therefore, it is imperative that both short-term and long-term demand at (a) the processor-importer level (including their purchasing plans, contracts to purchase, etc.), (b) wholesale distributor , and institutional level, and (c) retail level should be studied periodically, taking into account the respective volumes required of the different product lines, quality and packaging requirement, etc. Short and long-term plans relating to the fish sticks and portions production as well as fish and chip operations should also be assessed, so that sale of products would be in accordance with market requirements.

2.4 Market Information Services

Presently market information in some form or another, is provided in Canada and the U.S. by several bodies.

2.4.1 Market Information Services in the U.S.:

The most comprehensive market information service in the U.S. is the one provided by the Market News Service of the U.S. Department of the Interior. This service operates from centres such as Boston, New York, Chicago, New Orleans, etc. The reports published from these centres cover a variety of aspects

of fishery trade in the U.S. including information on the prices of fishery products at the primary wholesale, retail level, etc.; imports, stock levels in the U.S. and Canada and also significant developments affecting the fishing industry and fishery trade in the U.S. and foreign countries. The Boston Blue Sheet is by far the most comprehensive of the market reports issued by the Market News Service of the U.S. Department of the Interior. Smaller reports are issued from New York (the Green Sheet), Boston (the Yellow Sheet) etc. Besides these reports, there are the Fishery reports published by fisheries consultants in the U.S. for their clients. The leading two reports are: (a) the Gruber Report, issued from Cleveland, Ohio and (b) the Triggs Report on Frozen Fish issued from Chicago. Both these reports are popular in the U.S. and Canadian Fisheries Trade Circles. Both these reports focus on the inventory level in the U.S. and Canada. The former in addition discusses other developments which have significance for the fishery trade including new products,,development at the retail merchandising level, etc.

2.4.2 Market Information Services on the Atlantic Coast:

On the Canadian side the producers rely largely on the Blue Sheet. Some firms also subscribe either to Gruber Report or Triggs Report or both. The Annual Fisheries Review on individual countries issued by the Agriculture, Fisheries and Food Products Division of the Federal Department of Industry, Trade and Commerce is another source of information. It provides a variety of information on the fishery sector in various foreign countries, mostly historical in character.

2.5 Requirements of a Market Information System for the Atlantic Coast Exporters:

The Atlantic Coast exporters need more specific information than they receive at present; they also need faster information.

Almost all the exporters interviewed mentioned that whatever information made available by Canadian Government departments or agencies was mostly historical in nature, and was not of much use in their current marketing operations. For the effective management of Price and Supply stabilization programmes. accurate estimates of prospective production, storage, carry-overs and internal movements are essential. This type of information is all the more important, particularly in those countries where the governments are responsible for meeting deficits, or providing subsidies and for facilitating the disposal of surpluses. In recent months, and particularly because of the distress conditions in the U.S. market, there appears to have developed a greater appreciation of the value of market information among both exporters, and government departments.

It is important to note that the type of information that is presently made available is more suitable to a situation in which there is a sellers market for the "commodity" items of Groundfish. In recent years, Cod blocks have faced a buyers market. In such a context, the type of marketing information that is required is one that should help in undertaking the function of market planning. This is as yet mostly

an undeveloped or underdeveloped business function on the Atlantic Coast, with very few exceptions. In the last two years Canada's share of the U.S. Groundfish market has decreased considerably and the Groundfish market is increasingly become more and more competitive. The situation confronting the Groundfish producers on the Atlantic Coast and for that matter in European Countries is one which needs careful market planning. However it will be exceedingly difficult to undertake such a planning function with the kind of general historical type of information about products, prices and markets that are presently available. It would appear that the gap in the existing market information service requires that someone should be specifically charged with the responsibility of collecting, appraising and disseminating the right kind of information that is required for the marketing job, to be carried out under the intensely competitive international conditions.

3. FINANCE

One of the most serious problems facing the Groundfish industry on the Atlantic Coast is the shortage of working capital. An analysis of the financial performance of selected Groundfish processing companies indicated that the working capital[56/] position has in recent years been very weak. The source of working capital to most Groundfish exporters is their local bank, under Section 88 of the Bank Act. Expansion capital as well as most of the working capital is financed by (a) earnings (b) bank loans guaranteed by Provincial Governments (c) direct provincial govern-

56/ Current assets less current liabilities

ment loans, as in Newfoundland, and (d) in some cases, advances from U.S. buyers. The difficulties faced by processors in getting short term credit on the produce in storage seriously limits their ability to wait for a favourable market opportunity; it puts the exporter under pressure to sell his produce during the period of maximum supply. This is a continuing structural handicap to exporters bargaining with U.S. buyers over the price of their Groundfish exports. Because of their shortage of working capital, processors also tend to borrow in times of need, especially before production, and thus become indebted to the U.S. buyers. They are consequently obliged to sell, often at prices below those ruling in the market, as a condition for renewing the loan.

Thus severe credit limits can and does depress the market through pushing sales for the quick turnover of funds. As long as unsold fish is taken into the U.S. market in search of a buyer, at a rate faster than the buyers can absorb, the U.S. market is likely to remain depressed. The purchase program of the Fisheries Prices Support Board is an effective attempt to prevent consignment sales in the U.S. Market.

3.1 CREDIT LIMITS OF EXPORTERS

Almost all Groundfish exporters on the Atlantic Coast find their bank credit limits much too low and restrictive.

The following table presents a view of the actual credit limits for some of the enterprises interviewed.

	Existing Credit Limit ($000)	Desired Credit Limit ($000)
Plant 1	400	800
Plant 2	250	325
Plant 3	100	250
Plant 4	1,500	2,500
Plant 5	2,200	4,400
Plant 6	500	1,000
Plant 7	1,000	2,200
Plant 8	125	250
Plant 9	400	500
Plant 10	30	100

In addition to the difficulties arising from the low credit ratings and limits, the processors have in recent years been in a cost-price squeeze. That is, the selling price received by exporters has not increased commensurate with the increase in the input costs such as: financing costs; refit costs; insurance costs; labour costs, etc. For example, insurance costs have increased by about 7%, refit costs by 10%, packaging material costs by 5%, labour costs by almost 15%, interest on borrowed capital by almost 35%. As a result exporters have depleted most, if not all, of their resources; they have also incurred heavy bank loans and further bank loans are exceedingly difficult to obtain. Most exporters feel that a doubling of credit limit would be desirable. The borrowing costs on loans are often at least ½% over the official lending rate. For example until recently when the official lending rate of the banks was 8¼%, the Newfoundland companies were paying 8¾% for their loans. Further, the banks police the loans very strictly, under Section 88 of the Bank Act. Thus, exporters find it exceedingly difficult to finance improvement projects in order to increase plant productivity. They are also

unable to undertake promotion in any meaningful way. It was mentioned that banks have not raised credit limits for quite some years.

It is the bank policy to require detailed financial statements from the borrowers. The bank loan and credit limit policies are not flexible enough to take into account situations in which products do not move as fast as they should. The subsidiaries of U.S. and other countries operating in the Atlantic Coast do not encounter any financing problems as they are well supported in this regard by their parent companies. the arrangement for small processors who pack for bigger exporters is to obtain at least a portion of their working capital from the exporter. This is particularly true of affiliated co-operatives.

These comments are made from the export producers point of view. The nature of the cost price squeeze that has been revealed in earlier sections of this report would, of course, provide a very legitimate rationale for the banks action.

The importance of the working capital to a company stems from the fact that the ability of a company to meet its obligations, expand its volume and take advantage of opportunities is determined by its working capital position. The minimum safety requirement stipulates net working capital at least equal to current liabilities; put another way, current assets should be at least twice as large as current liabilities. It has been shown that for almost all of the nine plants for which financial data are available, the current ratio (current assets divided by current liabilities) was in most cases 1.1 to 1, indicating a weak working capital position.

3.2 INVENTORY FINANCING:

Inventory financing is another major aspect of the problem facing Atlantic Coast exporters. In many competing countries, such as Iceland, Norway, Poland, etc., the export marketing organizations take over the

product as soon as it comes off the production line, thereby relieving the processor of the responsibility to hold his inventory under the proper temperature conditions until sale. In contrast, no such relief is available to the Atlantic Coast exporter except the most recent working capital loan and purchase programme of the Department of Fisheries and Forestry. In the following section an attempt is made to estimate the inventory financing requirements of the Groundfish industry, on the Atlantic Coast.

ESTIMATED VOLUME OF INVENTORY FINANCE
REQUIRED BY THE ATLANTIC COAST GROUNDFISH PROCESSORS
(Based on 1968 holdings)

($000)

		Newfoundland	Maritime Provinces	Quebec	Total	
1.	Cod fillets	300	692	192	1,184	
2.	Cod blocks	2,900	750	362	4,012	
3.	Haddock fillets	100	531	90	721	
4.	Haddock blocks	9	427	45	481	
5.	Ocean Perch fillets	325	757	608	1,690	
6.	Ocean Perch blocks	120	124	115	359	
7.	Flounder fillets	570	565	165	1,300	
8.	Flounder blocks	260	70	75	405	
	T O T A L	4,584	3,916	1,652	10,152	
						% of Total
Cod (fillets & blocks)		3,200	1,442	554	5,196	50
Haddock (fillet & blocks)		109	958	135	1,202	12
Ocean Perch (fillets & blocks)		445	881	723	2,049	20
Flounder (fillet & blocks)		830	635	240	1,705	17

It will be seen that to finance inventories of fillets and blocks of Cod, Haddock, Ocean Perch and Flounder, about $10 to $11 million would be required at the 1968 production and inventory levels. Of this, approximately $5.2 million or 50% will have to be used to hold Cod (fillets and blocks) inventory; $1.2 million

(12%) for Haddock, $2.0 million (20%) for Ocean Perch and $1.7 (17%) for Flounder. In order to arrive at the above-mentioned figures relating to the amount of inventory financing required, average monthly as well as average peak period inventories were used. In calculating dollar value inventory figures, the following average processing costs on a per pound basis were used:

	Average Processing Cost Per Pound (cents per lb.)
Cod fillets	27
Cod blocks	26
Haddock fillets	30
Haddock blocks	27
Ocean Perch fillets	25
Ocean Perch blocks	23
Flounder fillets	33
Flounder blocks	30

4. FREEZING FACILITIES

4.1 Problems With Regard to Freezing:

The limited nature of freezing facilities, and the sub-standard quality of many existing freezing facilities constitute a constraint on the production of quality products, and also on the introduction of new products, such as I.Q.F., by almost all Atlantic Coast Groundfish exporters. Additional plate freezers as well as tunnel freezers are required. Many exporters would readily increase their volume of I.Q.F. production if only they had the suitable tunnel freezing facilities.

Tunnel freezers cost about $60,000 and plate freezers about $15,000 to $20,000. With the present cost-price squeeze it is difficult for plants to finance such capital expenditures, no matter how urgent and advantageous they might appear to be.

4.2 Nature of Existing Facilities and Requirements

Some of the Groundfish processing enterprises on the Atlantic Coast that were interviewed during our market survey gave the following information regarding their existing facilities as well as future requirements. This summarized information is presented here with a view to give an idea of the adequacy or otherwise of existing facilities:

Plant	Existing Facilities	Additional Requirements
1.	4 Tunnel freezers 1 Plate freezer	1 Blast freezer 1 Bait freezer
2.	n.a.	2 Plate freezers
3.	n.a.	1 Plate freezer
4.	Would like to increase freezing volume by 250,000 lbs.	Several tunnel freezers
5.	Would like to increase freezing volume by 1 million lbs.	Several tunnel freezers

Plant	Existing Facilities	Additional Requirements
6.	Recently completed an expansion programme - facilities adequate.	nil
7.		Existing facilities inadequate and antiquated; therefore freezing is done commercially at other plants.
8.	9 Plate freezers and 2 blast freezers in operation in the 2 plants operated by the same company.	nil
9.		I.Q.F. freezing facility is inadequate, existing size of plant does not warrant a tunnel freezer.
10.	Present freezing capacity is 45,000 lbs. of fillets per day.	Would like to increase to 60,000 lbs. of fillets per day.
11.		Needs freezers for I.Q.F.
12.	2 blast freezers in operation - facilities adequate.	
13.		Not enough freezing tunnels; particular types of freezing required for sophisticated products such as I.Q.F.
14.	Some facilities exist for I.Q.F. freezing - but the quality of freezing is poor; hence the product quality is poor.	1 additional plate freezer required.
15.	n a	1 additional plate freezer required.
16.	Generally inadequate.	Would like to introduce liquid nitrogen freezing at a reasonable cost.
17.	Existing facilities adequate - added 2 plate freezers in 1968.	-
18.	Freezing is contracted out at 90¢ per 100 lbs. (for freezing and boxing) - no facilities within the premises.	Would like to have freezing facilities within the premises.
19.	Existing facilities inadequate - presently 6-8 plate freezers in operation.	In order to diversify production and to have a 12 month operation, additional freezing facilit also to develop side products such as Cod roes, herring roes, etc.

Plant	Existing Facilities	Additional Requirements
20.	Present facilities are inadequate - fillets and blocks taken to another plant for freezing purposes. Presently 3 blast freezers in operation.	Would like to add 3 additional plate freezers.
21.	Present facilities adequate- 2 blast and 4 plate freezers in operation.	
22.	-	Needs 2 blast freezers.
23.	Unable to operate blast and plate freezers at the same time; also problems of ice shortage, also fresh water shortage.	
24.	Lack of fresh water supply	1 blast freezer required
25.	Only blast freezers in operation.	One Dryer required - also a plate freezer.
26.	n a	Existing capacity to be doubled.
27.	Existing facility inadequate.	Needs 1 additional plate freezer.
28.	Existing facility inadequate.	Needs 3 more plate freezers.
29.	2 blast freezers in operation - existing facility adequate.	

It will be noted from the foregoing that the provision of additional freezing facilities of the required type is a must for

(a) diversifying the product line (this is necessary in view of the continuing depressed market conditions for the commodity items of Groundfish); and

(b) increasing the length of plant operation; improving the quality of existing facilities is also required to allowthe production of quality products.

There are also problems arising from ice and fresh water shortages, although the latter is not as serious as the former.

With regard to I.Q.F. freezing, the crux of the problem is to design a suitable low cost plate freezer which would be capable of handling the existing small volumes of Groundfish plants. The presently available I.Q.F. freezers require a minimum of 40,000 lbs. to 50,000 lbs. of fillets per day to make it worthwhile and this is not suitable to the small volume plants. Ideally, a low volume, low-cost freezer is required.

During our survey it was possible to obtain the following detailed information about the size of freezing operations in the Province of Newfoundland (1967 data).

	Location	Year Installed	Number of Plate Freezers	Daily Capacity - (lbs.) (based on 10 hr. operation)
1.	Burin	1942	8	60,000
2.	Treppassey	1954	6	45,000
3.	Isle aux Morts	1940	4	35,000
4.	Catalina	1957	6	50,000
5.	Port aux Choix	1954	3	40,000
6.	Twillingate	1960	3	32,000
7.	St. Anthony	1961	5	25,000
8.	Grand Bank	1955	7	70,000
9.	Bonavista	1939	7	70,000
10.	St. John's	1967	3	44,000
11.	LaSCIE	1960	5	65,000
12.	Harbour Grace	1950	7	50,000
13.	Fermeuse	1950	7	50,000
14.	Port Degrave	1962	4	35,000
15.	Witless Bay	1954	7	40,000
16.	Dildo	1956	2	10,000
17.	St. Brides	1961	7	40,000
18.	Burged	1946	4	40,000
19.	Ramea	1943	3	26,000
20.	Gaultois	1952	3	30,000
21.	Fortune	1953	6	60,000
22.	Lewisporte	1951	1	10,000
23.	Englee	1941	2	15,000
24.	Rose Blanche	1962	4	50,000
25.	Hr. Breton	1962	4	50,000
26.	Curling	1955	1	18,000
27.	St. John's	1962	1	10,000
28.	Carbonear	1964	2	30,000
29.	Mooring Cove	1967	8	80,000
			TOTAL	1,185,000

5. COLD STORAGE FACILITIES

The extent as well as the nature of cold storage facilities need improvement. Most plants require additional cold storage facilities within their own premises. As shipments cannot be made as fast as production, there is need for cold storage which is able to hold products at the correct temperatures. The comments received during our survey of the Atlantic Coast indicate that for many processors, the lack of adequate storage space as well as the poor quality of existing facilities were a handicap in their overall marketing effort. Often the existing facilities were handicapped because of inadequate insulation, low ceilings, etc., and because of the antiquated nature of these facilities, fork lifts and pallets could not be used. Therefore new storage buildings were needed by many processors. The processors found many risks in storage including damaged cartons, deterioration of quality in storage, etc. Some exporters were obliged to sell (export) in small lots because of the lack of cold storage space to hold products. Most cold storages had difficulty in maintaining temperatures at the desired level.

Costs of storage on the Atlantic Coast ranged from 30¢ per 100 lbs. to 28¢ per 100 lbs. for the first month and 20¢ thereafter (Canadian funds).

The cost of storage in the U.S. was generally 32¢-35¢ per 100 lbs. for the first month and 20¢ thereafter (in U.S. funds).

The following tables give the number of cold storage warehouses, freezing and storing fishery products in the U.S.

	New England	Mid Atlantic	South Atlantic	North Central East	North Central West	South Central	Pacific	Total
1958	42	45	33	35	25	55	47	282
1959	39	42	30	37	22	52	59	281
1960	43	37	29	35	22	49	56	271
1961	42	39	31	36	23	51	45	267
1962	42	39	31	36	25	50	45	268
1963	37	40	46	38	24	51	45	284
1964	40	41	48	43	24	54	48	298
1965	42	37	46	42	24	51	49	291
1966	43	39	46	42	24	52	49	295
1967	43	40	41	41	23	52	48	288

Table 124 provides details concerning freezing and storage capacities available from processors in the Province of Quebec in 1967. As will be seen, during 1967, the total freezing capacity was 406 tons; the storage capacity, expressed in cu. ft. was 256,986.

Table 125 gives details of freezing and cold storage rates in the Province of Quebec.

Table 126 gives a brief description of the public and semi-public cold storages in New Brunswick. Similar data for Nova Scotia was not readily available. The following figures relating to storage capacity (in lbs.) was collected during our survey in Newfoundland.

Storage Capacity in Newfoundland, 1967

(lbs.)

1.	Burin	3,500,000
2.	Treppassey	900,000
3.	Isle aux Morts	600,000
4.	Catalina	2,250,000
5.	Port aux Choix	750,000
6.	Twillingate	1,250,000
7.	St. Anthony	2,000,000
8.	Grand Bank	850,000
9.	Bonavista	2,000,000
10.	St. John's	2,680,000

11.	LaScie	4,000,000
12.	Harbour Grace	7,000,000
13.	Fermeuse	3,000,000
14.	Port De Grave	2,000,000
15.	Witless Bay	2,500,000
16.	Dildo	500,000
17.	St. Bride's	2,000,000
18.	Burgeo	900,000
19.	Ramea	830,000
20.	Gaultois	900,000
21.	Fortune	750,000
22.	Lewisporte	100,000
23.	Englee	700,000
24.	Rose Blanche	500,000
25.	Hr. Breton	2,000,000
26.	Curling	700,000
27.	St. John's	50,000
28.	Carbonear	1,775,000
29.	Mooring Cove	3,000,000

6. TRANSPORTATION

Most exporters in Newfoundland, Nova Scotia, New Brunswick and Prince Edward Island find transportation facilities adequate. However, transportation constitutes a problem to the Quebec Groundfish exporters They have found it exceedingly difficult to get timely truck transporation at reasonable rates.

Refrigerated trucks were the most common form of transportation to the market for Nova Scotia, New Brunswick, and Prince Edward Island and Quebec. The Newfoundland processors rely mostly on refrigerated ships. Transportation costs have not undergone any radical increases in recent years.

In Nova Scotia, the weight restrictions on highways present some difficulties to the fish processors trying to get their fishery products to the market as rapidly as possible. This has lead to some increase in transportation costs. Railroads do not have proper access to the fish processing companies. Trucks normally take about

8-10 hours to reach the Boston market from the Maritimes. Most, if not all firms use commercial trucking companies, although one or two processors have their own fleet of trucks. "Own" trucks are generally used for internal transportation. The cost of transportation generally is $1.80 per 100 lbs. to Boston from the Maritimes and $2.00 per 100 lbs. for other areas close to New England. The Nova Scotia exporters ship about 80% of their exports by truck and the rest by boat. The minimum weight requirements for loads on boats are:

$1.18 per 100 lbs. for a minimum of 1 million lbs.
$1.23 per 100 lbs. " 500,000 lbs.
$1.34 per 100 lbs. " 200,000 lbs.

Transportation costs for fillets are marginally higher than for frozen blocks. For example, the Newfoundland exporters pay $2.20 to $2.40 per 100 lbs. of fillets and I.Q.F. by boat, for transportation to New England, as compared with $1.55 to $1.75 for 100 lbs. of blocks. There is no marked differential advantages in terms of transportation cost between the five Atlantic Coast provinces, except that Newfoundland ships mostly by boat and the minimum weight requirements appear to have more importance.

On the whole, transportation aspects do not constitute a problem in the marketing of Groundfish, at least in terms of the adjustments that have been made by the Atlantic Coast producers. For example, the Newfoundland producers experience no transportation problems with their existing product line.(If they were to attempt to market fresh however, they would meet serious transportation difficulties.) In many senses the nature of the Atlantic Coast Groundfish industry represents an adaptation to transportation problems. That current problems are so few indicates the success of the adjustment, not necessarily the lack of a fundamental problem.

7. QUALITY OF LABOUR AND MANAGEMENT

The Groundfish industry has found it increasingly difficult to attract young and talented people both on the plant level and the managerial level. At the plant level, the labout available has little or no skills. At the managerial level, the industry has not been able to

attract professionally trained young people. Further, there is a general lack of functional division of managerial labour. That is, as a rule, several managerial functions such as sales, accounting, plant administration etc., are carried out by one individual. Marketing as a function does not seem to be well defined or recognized by many processor-exporters.

	Number of exporters with a recognized marketing function	Number of exporters without a recognized marketing function
Nova Scotia	3	8
Newfoundland	2	8
New Brunswick	1	3
Prince Edward Island	1	-
Quebec	1	3
	8	22

Presently, there is little or no market and marketing research done at the exporter level on the Atlantic Coast. Because of their small size, it is not possible for individual exporters to employ marketing research staff.

SECTION XI

U.S. TARIFFS AND ATLANTIC COAST'S GROUNDFISH TRADE

1. INTRODUCTION

In a marketing study such as the present one, it is essential to take a look at the tariff as well as non-tariff barriers facing the Atlantic Coast exporters in their principal export market. In this section, therefore, an attempt has been made to examine (a) the U.S. tariff duties - present and proposed - applicable to imported Groundfish products and the effectiveness of such duties; and (b) the impact of a possible elimination of U.S. tariffs upon the nature and magnitude of Groundfish processing operations on the Atlantic Coast.

2. U.S. RATES OF DUTY ON GROUNDFISH PRODUCTS

The following table presents the applicable rates of U.S. duty on selected Groundfish products, taking into account the proposed tariff reductions under the Kennedy Round (U.S. funds).

	Frozen Blocks and Slabs	Fresh & Frozen Fillets of Cod, Cusk, Haddock, Hake, Pollock & Ocean Perch	Flat Fish Fillets & Blocks	57/ Fish Sticks & Portions	57/ Other Sticks & Portions
	¢ per lb.	¢ per lb.	¢ per lb.	% (ad valorem)	% (ad valorem)
1967	1.0	2.5	1.5	20	30
1968	0.8	2.5	1.0	18	27
1969	0.5	2.5	0.9	16	24
1970	0.4	3.5	0.5	14	21
1971	0.2	2.5	0.5	12	18
1972	Free	2.5	Free	10	15

It will be noted from the above that while the duty on fillets will continue to remain at the present level, the duty on Fish Sticks and Portions will undergo a 50% decline

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57/ Neither cooked nor in oil.

during the 1967-72 period. Similarly frozen blocks and slabs which were liable to a duty of 1 cent per lb. in 1967, will be free of duty by 1972. The duty on Flatfish fillets and blocks have declined from 1.5 cents per lb. in 1967 to 0.9 cents per lb. in 1969; this duty is expected to be eliminated by 1972. Presently, the duty on uncooked Sticks and Portions is 16% ad valorem and on "other" Sticks and Portions (cooked, breaded, etc.), 24% ad valorem. These duties would decline to 10% and 15% (ad valorem), respectively, by 1972.

3. U.S. INSPECTION REQUIREMENTS

The following items of frozen fish fillets are eligible to have the U.S. Inspection Shield, but not to be graded unless grading standards apply:

Haddock - Skinless and skin-on
Cod, Flounder, Ocean Perch - Skinless
Ocean Perch - Skin-on
Ocean Perch - individually frozen
Pollock, Halibut, Mackerel, Ocean Catfish, Sole; and Whiting.

U.S. Inspection grades for the following items were issued on these dates:

Fish blocks	October 1964
Cod fillets	March 1960
Flounder & Sole fillets	April 1962
Haddock fillets	March 1959
Halibut steaks	March 19 9
Ocean Perch fillets	January 1961
Fried Fish Portions	September 1963
Raw breaded portions	November 1963
Raw breaded fish sticks	September 1963
Fried Fish sticks	September 1963
Frozen headless dressed whiting	August 1966

4. U.S. IMPORTS OF PROCESSED GROUNDFISH PRODUCTS

During the years 1965 to 1968, U.S. imports of Groundfish fillets and blocks of Cod, Haddock, Flounder and Ocean Perch in relation to imports of processed[58/] Groundfish products were as follows:

	U.S. Imports of Fresh & Frozen Groundfish fillets & blocks (000 lbs.)	U.S. Imports of Fish Sticks and Portions (000 lbs.)
1965	315,300	277
1966	345,100	383
1967	312,600	394
1968	429,000	878 (valued at $334,000)

Of this 878,000 lbs. of imported fish Sticks and Portions 871,000 lbs. or 99.2% originated with Canada.

	U.S. Imports of Sticks & Portions (000) lbs.	U.S. Apparent Consumption of Sticks & Portions (000) lbs.	Imports as % of Consumption
1958	56	81,857	.07
1959	41	97,302	.04
1960	211	111,519	.18
1961	493	128,743	.38
1962	325	150,173	.22
1963	377	172,267	.11
1964	210	185,617	.11
1965	277	217,105	.13
1966	384	223,069	.17
1967	400	238,600	.17
1968	878	261,578	.34

It is reasonable to assume that the basic reason for this almost insignificant volume of processed fish Sticks and Portions imports into the U.S. is the effectiveness of U.S. tariffs, and to some extent, the non-tariff barriers, such as purchasing policies and the interpretation and enforcement of Food and Drug Inspection regulations. Early

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58/ Excludes U.S. imports of fishery products classired as Fish N.E.S., prepared and/or preserved.

in 1969, the processed products of an Atlantic Coast exporter were rejected by the U.S. Food & Drug authorities on three occasions despite the fact that it satisfied the severe tests of Canadian Inspection authorities. In 1965, imports of Fish Sticks and Portions constituted 0.13% of total U.S. consumption of Sticks and Portions. The corresponding share of imports in 1968 was 0.34%. The fact that only 0.34% of the total apparent consumption of fish sticks and portions in the U.S. is met from imports is indicative of the effectiveness of the tariff and other barriers. In fact, it would appear that the effective tariff is higher than the nominal tariff. In contrast, it will be noted that the share of U.S. imports in the total disappearance of other Groundfish products was as follows:

	U.S. Imports as % of Total Disappearance in 1968
Fresh & Frozen Cod Fillets	75
Fresh & Frozen Haddock Fillets	36
Fresh & Frozen Flounder Fillets	42
Fresh & Frozen Ocean Perch	69
Blocks & Slabs	100
Fish Sticks & Portions	0.34

Between 1967 and 1968, the U.S. duty on uncooked Sticks and Portions declined from 20% ad valorem to 18% ad valorem and the duty on cooked and breaded Sticks and Portions from 30% to 27%, ad valorem. During 1966-67, imports of Fish Sticks and Portions into the U.S. increased by only 11,000 lbs.(383,000 lbs. in 1966, and 394,000 lbs. in 1967). However, during 1968, U.S. imports of Fish Sticks and Portions more than doubled, that is, from 394,000 lbs. in 1967 to 878,000 lbs. in 1968, an increase of 484,000 lbs. (or 123%). Probably, the 10% reduction in the ad valorem duties on Fish Sticks and Portions gave the Canadian exporters a slightly higher competitive edge than they had

before the ad valorem duty declined. The following table provides details on the U.S. imports of Sticks and Portions by country or origin.

U.S. IMPORTS OF FISH STICKS AND PORTIONS

(000 lbs.)

	1965		1966		1967		1968	
TOTAL	277	100.0	384	100.0	394	100.0	878	100.0
CANADA	255	92.0	362	94.1	392	99.4	871	99.6
MEXICO	2	0.7	16	4.2	-	-	-	-
HONG KONG	20	7.3	2	0.6	2	0.5	-	-
W.GERMANY	-	-	4	1.1	-	-	4	0.4
JAPAN	-	-	-	-	1	0.1	-	-

5. THE U.S. MARKET FOR FISH STICKS AND PORTIONS

Year	U.S. Production (000 lbs.)	% Change	U.S. App. Consumption (000 lbs.)	% Change	Per Capita Consumption (lbs.)
1958	82,801		81,857		0.470
1959	97,925	18.3	97,302	18.9	0.547
1960	114,523	16.9	111,519	14.6	0.625
1961	129,671	13.2	128,743	15.4	0.703
1962	150,895	16.4	150,173	16.6	0.807
1963	173,946	15.3	172,267	14.7	0.912
1964	179,887	3.4	185,617	7.7	0.969
1965	222,947	23.9	217,105	17.0	1.120
1966	227,932	2.2	223,069	2.7	1.144
1967	232,300	1.9	238,600	7.0	1.205
1968	270,700	16.5	261,578	9.6	1.308

During the 1958-68 period, the total U.S. apparent consumption of Fish Sticks and Portions increased at an average annual rate of 8.2%; production at the rate of 8.5%; and per capita consumption by 6%.

The following table shows the relationship between the U.S. disappearance of frozen blocks and slabs and the U.S. production of Fish Sticks and Portions during 1958-68.

	U.S. Disappearance of Blocks (000 lbs.)	Production of Sticks & Portions (000 lbs.)	Production as % of Disappearance %
1958	71,764	82,801	115.4
1959	78,780	97,925	124.3
1960	88,843	114,523	128.9
1961	126,959	129,671	102.1
1962	138,493	150,895	109.0
1963	153,791	173,946	113.1
1964	173,953	179,887	103.4
1965	200,317	222,947	111.3
1966	214,663	227,932	106.2
1967	198,600	232,200	116.9
1968	247,200	270,700	109.5

The production of Fish Sticks and Portions appears to be on the average 10% more than the yearly disappearance of Fish Blocks and Slabs, on account of the added weight from breading, oil and batter.

The production of Fish Sticks and Portions in the U.S. is distributed primarily among the following 20 U.S. plants (under continuous U.S. inspection).

Booth Fisheries	Portsmouth, N.H.
Boston Bonnie Packers	Trillingway, Boston, Mass.
Commodore Foods Inc.	Lowell, Mass.
Empire Fish Co.	Gloucester, Mass.
Frionor Kitchens	New Bedford, Mass.
The Gorton Corporation	Gloucester, Mass.
North Atlantic Fish Co.	Gloucester, Mass.
O'Donnel Usen Fisheries	Gloucester, Mass.
Cold Water Sea Foods	Cambridge, Md.
Iceland Products Inc.	Camp Hill, Pa.
Dolphin Sea Foods Inc.	Cleveland, Ohio
Fish King Processors	Los Angeles, Calif.
40 Fathom Fisheries	Rockland, Me.
Neptune Sea Foods Inc.	Los Angeles, Calif.
Ocean Products Inc.	Dover, Fla.
Rupert Fish Co.	Los Angeles, Calif.
Sea Pak Corporation	St. Simons Island, Ga.
Sea Pass Corporation	St. Louis, Mo.
Teddy's Frosted Foods Inc.	Highland, N.Y.
Mrs. Pauls Kitchens	Philadelphia, Pa.

In terms of the total number of plants, there were in all about 48 plants producing Sticks within the U.S. in 1967, as follows:

	Number	% of Total	Production (000 lbs.)	% of Total
Atlantic Area	25	52	59,401	80
Interior & Gulf	9	19	5,490	8
Pacific Area	14	29	8,990	12
	48	100	73,881	100

The situation with respect to Fish Portions was as follows:

Atlantic Area	28	55	93,836	59
Interior & Gulf	9	18	60,238	38
Pacific Area	14	27	4,318	3
	51	100	158,392	100

Thus, most of the Fish Sticks are produced in the Atlantic States; however, in the case of Fish Portions, Interior and Gulf States also are important centres of production.

Employment in Fish Sticks and Portions manufacturing in the U.S. was:

Year	
1963	2,599
1964	2,925
1965	3,289
1966	3,658

Year	Employment in Fillets/Steaks Processing
1964	1,900
1965	1,583
1966	1,699

According to a recent study by the U.S. Dept. of the Interior, the following was the hourly wage rate in the U.S. Fish Processing Plant (in U.S. funds)

	Packers $	General Helpers $	Cutters $
1958	1.20	1.50	1.71
1959	1.25	1.55	1.76
1960	1.25	1.55	1.76
1961	1.33	1.63	1.84
1962	1.40	1.75	1.91
1963	1.45	1.80	1.96
1964	1.65	2.00	2.16
1965	1.73	2.08	2.24
1966	1 80	2.15	2.31
1967	1.95	2.30	2.46
1968	2.04	2.39	2.55
1969	2.12	2.47	2.63

6. THE CANADIAN PRODUCTION OF FISH STICKS AND PORTIONS

The total Canadian freezings of Fish Sticks and Portions during the 12 months of 1968 was 8.2 million lbs. The following table indicates the production and sales pattern of Sticks and Portions in Canada, on a monthly basis (1968 data).

	Stocks Beginning of Month (000's lbs.)	Freezings During Month (000's lbs.)	Stocks End of Month (000's lbs.)	Sales During Month (000's lbs.)
Jan.	1,293	251	1,089	455
Feb.	1,089	799	1,139	749
Mar.	1,139	829	1,276	692
Apr.	1,276	442	1,057	661
May	1,057	422	1,110	369
June	1,110	875	1,449	536
July	1,449	667	1,411	705
Aug.	1,411	612	1,415	608
Sept.	1,415	948	1,627	736
Oct.	1,627	919	1,667	879
Nov.	1,667	954	1,859	762
Dec.	1,859	505	1,508	856
				8,005

Thus, during 1968 the total sales of Fish Sticks and Portions in Canada were over 8 million lbs. of which 871,000 lbs. (about 11%) were exported to the U.S. About 90% of the production of Fish Sticks and Portions in Canada were sold in the domestic market. (Table 127).

It is interesting to note that while Canada exported

only 871,000 lbs. of Sticks and Portions into the U.S. in 1968, the volume of exports to the U.S. of frozen blocks and slabs was 106 million; that is, Canada's exports of blocks were over 100 times the volume of its exports of Sticks and Portions.

	Canadian Exports of Blocks into the U.S. (000 lbs.)	Canadian Exports of Sticks and Portions into the U.S. (000 lbs.)
1965	119,800	255
1966	98,000	362
1967	96,000	392
1968	106,200	871

7. IMPACT OF FREE TRADE IN GROUNDFISH BETWEEN THE ATLANTIC COAST AND THE U.S.

The following discussion considers the impact on the Atlantic Coast Groundfish industry of a possible elimination of U.S. duties on processed Groundfish products. The emphasis of the analysis will be on the extent to which elimination of U.S. tariff on processed products would help in increasing and/on commencing processing activities on the Atlantic Coast. It is useful to begin by assuming that such a tariff reduction would have substantial benefits for the Atlantic Coast Groundfishery. The manner in which this is likely to come about would be as follows: the elimination of duties in the U.S. would enable the Atlantic Coast exporters who presently export only fresh and frozen fillets and blocks to engage in a greater degree of processing or value added operations. Instead of exporting large quantities of frozen blocks and slavs, and a small quantity of Fish Sticks and Portions into the U.S., the Atlantic Coast producers would try to export a relatively larger quantity of fish sticks and portions and a smaller quantity of frozen blocks and slabs. The mix of production and exports would, thus, undergo a substantial change, thereby implying a shift in production centres from the U.S. to the Atlantic Coast and also to other Groundfish

block supplying countries such as Iceland, Denmark & Greenland, Norway, Poland, West Germany, etc. To enable such a shift in the centres of production, the Atlantic Coast Groundfish processors would have to have (a) adequate machinery & equipment for processing Sticks and Portions (including machinery for cooking and breading); (b) adequate working capital; (c) capital for plant expansion and modernization including cold storage and freezing facilities; and (d) skilled plant personnel to handle the new processing operations. A shift from exporting blocks to processing Sticks and Portions would undoubtedly involve a good deal of preparatory market and marketing channel development work in the U.S. It would mean that the Atlantic Coast exporters will have to compete with their traditional buyers with established marketing channels at the wholesale distributing level. The Atlantic Coast processors will, necessarily, pack (to begin with, quite a large portion of their production) under the labels of several wholesale distributors and or chains in the U.S. Further, they will have to conform to the U.S. quality standards, particularly that of the U.S. Food and Drug Administration. To ensure this, they will be required to step up their quality control operations beginning with the landing stage up to the export level. Further, the Atlantic Coast exporters will have to actively develop and promote their own brand and quality image in the U.S. and back-up such an image with proper advertising and promotion aimed at stimulating primary demand at the various marketing levels. Undoubtedly, a marked shift of the production of Sticks and Portions from the U.S. to the Atlantic Coast and other countries would spell the demise of a number of established U.S. processors. It is difficult to conceive of such a possibility on practical grounds. However, in the following pages an attempt has

been made to assess the potential benefits that would accrue to the Atlantic Coast from a total elimination of U.S. tariffs.

7.1 Production Costs on the Atlantic Coast and in the U.S.

In order to evaluate the impact of a possible elimination of tariffs on processed fishery products (e.g. Fish Sticks and Portions) in the U.S. on the Atlantic Coast Groundfish processing operations, it is essential to take a look at the relative production costs in both countries. The per cent distribution of processing costs in 1968 was:

See next page

Percent Distribution of Processing Costs

	12-14 oz. Fish Sticks %	12-9 oz. Fish Sticks %
1. Raw Material	50.3	52.3
2. Breading, Oil & Batter	11.9	12.3
3. Net Raw Material	62.5	65.1
4. Packaging	8.5	7.9
5. Labour	8.5	8.0
6. Overhead	12.6	11.7
7. Other	7.9	7.3
	100.0	100.0

The net effect of a tariff elimination in the U.S. on the magnitude of processing operations on the Atlantic Coast would depend upon the cost advantages of shifting production centres from the U.S. to Canada. In order for the production centres to shift from the U.S. to the Atlantic Coast, there must be definite advantages in terms of at least some elements of processing costs. For example, it is likely that the Canadian processors will have the advantage of (a) chaper raw material, cheaper by the cost of transportation to the U.S., and (b) cheaper labour. Wages are at least 20% - 25% lower on the Atlantic Coast than in the U.S. and as such, would constitute an advantage. On the other hand, the transportation of finished products from the Atlantic Coast to the U.S. would be an additional cost. Similarly, costs will have to be incurred by the Atlantic Coast exporters to develop the necessary market contacts and marketing channels, brand image, etc. This would represent additional costs.

In order to commence Groundfish processing operations on the Atlantic Coast, therefore, the Canadian producers will have to be at last as efficient as the U.S. processors. Assuming that production technologies are alsmost identical in both countries, the cost advantage to the Canadian processor over his U.S. counterpart would be as follows:

(a) The raw material costs of the Canadian processor would be lower than that of the U.S. processor by at least the cost of transportation and insurance. For the U.S. plant engaged in the manufacture say, of 12-14 oz. Fish Sticks, the input of Cod Blocks was 8.30 lbs. at 0.21100 per lb. (exclusive of duty or .22788 cents per lb. in Canadian funds). If we deduct transportation and insurance, the price per lbs. would be as follows:

Cod Blocks in the U.S. (ex factory)

	U.S. Funds	Canadian Funds
	0.21100	0.22788
Less transportation & Insurance	0.01850	0.02000
	0.19250	0.20788

Assuming other raw material costs and inputs to be more or less the same, it can be seen that the Canadian processor will have his raw materials about 8.8% cheaper than his U.S. counterpart.

Besides cheaper raw materials, the Canadian processor would also enjoy the advantage of cheaper labour, by about 20% to 25%.

The direct labour costs for 12-14 oz. Fish Sticks are 31 cents (U.S. funds) or (33.4 cents Canadian unds) for an efficient U.S. processor. Assuming the amount of labour inputs to be the same on the Atlantic Coast and in the U.S., the total labour costs for 12-14 oz. Fish Sticks would be 22% cheaper, that is 24 cents (U.S. funds or 26 cents Canadian funds).

It is not likely that the processor on the Atlantic Coast will have any other additional cost advantages vis-a-vis their U.S. counterparts.

It will be seen that as compared with the cost of a "hypothetical" Canadian processing plant producing 12-14 Cod Fish Sticks at $3.50419 (U.S. funds), two Canadian plants did actually incur the following costs to produce the same item: $3.70367 (Plant 1), and $3.87487 (Plant 2) (at 21.6 U.S. cents per lb. for Cod Blocks).

The price to primary wholesalers in the U.S. for 12-14 oz. Fish Sticks presently is running at around $5.60 (U.S.) or $6.09 (Canadian). If one were to express the cost of the hypothetical Canadian Plant and that of the U.S. plant as a percent of this market price, the following ratio would result:

	Hypothetical		
$\frac{3.50419}{5.60000}$	Canadian Plant	$\frac{3.55049}{5.60000}$	U.S. Plant
62.6%		63.4%	

The net difference is only 0.8%. Thus, on 12-14 oz. Fish Sticks, the cost difference between a Canadian plant and a U.S. plant would be only 0.8%. Because of this very marginal difference in costs, in the event of a zero tariff, it is difficult to see a massive shift of production of Fish Stocks and portions from the U.S. to Canada. It is most likely that even this marginal difference in costs will

be eroded anyway if one were to take into account the additional promotional and marketing costs that will have to be incurred by the Canadian exporters to develop market contacts and marketing channels.

7.2 Potential Production of Fish Sticks & Portions in Canada

If we were to assume that as a result of the elimination of all duties on processed fishery products in the U.S., that almost 100% of Atlantic Coast's exports of blocks were processed in the Region, then, the potential production of Fish Sticks and Portions would be as follows:

	Atlantic Coast's Exports of Blocks (Million lbs.)	Potential Production of Sticks & Portions[59] (Million lbs.)
1958	37.8	45.7
1959	43.2	52.3
1960	55.3	66.9
1961	68.2	82.5
1962	76.1	92.1
1963	49.5	59.9
1964	98.7	119.4
1965	119.8	145.0
1966	98.0	118.6
1967	96.0	116.2
1968	106.2	128.5

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[59] Assuming that 1 lb. of Cod Blocks would give 1.30 lbs. of Sticks and Portions 0.30 lbs. being breading, batter and oil. In order to make a case (10.50 lbs.) of 12-14 oz. Fish Sticks, the following would be the composition of inputs:

Fish	8.30 lbs.
Oil	1.05 lbs.
Breading	1.75 lbs.
Total inputs	11.85 lbs.
Finished Product Weight	10.50 lbs.
Yield loss	1.35 lbs.

Fish constitutes 79% of the final product and 70% of the total input.

If the Atlantic Coast processors were to process their blocks into Sticks and Portions, their production in 1968 would have been around 129 million lbs. As against this potential volume, the actual production of Fish Sticks and Portions in Canada during the 1965-68 period was as follows:

Date	Stocks Beginning Month (000 lbs.)	Freezings During Month (000 lbs.)	Stocks end of Month (000 lbs.)	Sales During Month (000 lbs.)
Jan.	1,293	251	1,089	455
Feb.	1,089	799	1,139	749
Mar.	1,139	829	1,276	692
Apr.	1,276	442	1,057	661
May	1,057	422	1,110	369
June	1,110	875	1,449	536
July	1,449	667	1,411	705
Aug.	1,411	612	1,415	608
Sept.	1,415	948	1,627	736
Oct.	1,627	919	1,667	879
Nov.	1,667	954	1,859	762
Dec.	1,859	505	1,508	856
				8,005

Thus, theoretically, the production of Fish Sticks and Portions could increase from 8 million lbs. to almost 130 million lbs. However, as a practical proposition, it is reasonable to assume that the Canadian share of the total Fish Sticks and Portions market in the U.S. could increase from its present level of about 0.34% to, say, 10%. For a manufactured product, a 10% share of the U.S. market is normally considered to be a reasonable performance for a foreign supplier, i.e. 10% of 262 million lbs. or 26.2 million lbs.

The per capita consumption of Fish Sticks and Portions in the U.S. has increased at an average annual rate of about 6% during 1958-68. We estimate it to grow at least at the rate of 5% during 1968-75. On this basis, per capita consumption would increase from 1.308 lbs. in 1968 to 1.842 lbs. in 1975. Total apparent consumption is estimated to increase

from 262.0 million lbs. in 1968 to 295.4 million lbs. in 1970 and 396.8 million lbs. in 1975.

	Estimated Total App. Consumption (Million lbs.)	Estimated Per Capital Consumption lbs.
1968	262	1.308
1969	279	1.373
1970	296	1.442
1971	316	1.514
1972	336	1.590
1973	356	1.670
1974	375	1.754
1975	397	1.842

Canada's share of total apparent conumption in the U.S. during 1965-68 was as follows:

	Canadian Exports to the U.S. (000's lbs.)	U.S. Apparent Consumption (000 lbs.)	Canadian Exports as % of U.S. App.Consumption
1965	255	217,105	0.12
1966	361	223,069	0.16
1967	392	238,600	0.16
1968	871	261,578	0.33
1970	14,800(target)	296,000(est.)	5.00
1975	39,700(target)	397,000(est.)	10.00

In order to obtain a 5% share of the U.S. market in 1970 (U.S. apparent consumption) Canada would have to increase its exports from 871,000 lbs. in 1968 to 19.8 million lbs. in 1970, an increase of almost 1600%. Similarly, in order to obtain a 10% share of the U.S. market in 1975, Canada will have to more than double its exports between 1970 and 1975, up from 19.8 million lbs. to 39.7 million lbs. an increase of 168%. Such increases in market shares would undoubtedly, require extensive promotion both within and outside the marketing channels.

7.3 Potential Employment Generation on the Atlantic Coast

The net effect on Atlantic Coast's processing operations of a 5% share of the U.S. market in 1970 and a 10% share in 1975, can be traced as follows:

The present level of production of Fish Sticks and Portions on the Atlantic Coast is over 8 million lbs. Most of this production goes to meet the domestic demand. In order to export to the U.S. almost 15 million lbs. of Fish Sticks and Portions, the total production would have to be in the range of 23-25 million lbs., assuming that the domestic market in Canada would continue to absorb about 8-9 million pounds. The potential export volume of 15 million lbs. would require about 12 million lbs. of blocks and 4 million lbs. of breading, batter and oil. It would also require manufacturing inputs such as fuel and electricity, supplies, containers, etc. The potential employment that would result from the production for export would be as follows:

	Target Volume of Exports (000 lbs.)	Estimated Output[60] of Sticks and Portions per Employee (lbs.)	No. of Employees
1970	14,800	62,000	239
1975	39,700	62,000	640

Thus, a 5% share of the U.S. market in 1970 would mean creating employment on the Atlantic Coast for about 240, and 10% of the U.S. market in 1975 would generate additional employment opportunities for 400.

60/ The output of Fish Sticks and Portions per employee in the U.S. during 1963-66 was as follows:

1963	66,928 lbs.
1964	61,500 lbs.
1965	67,786 lbs.
1966	62,311 lbs.

SECTION XII

S U M M A R Y

1. SUMMARY OF CONCLUSIONS

The present study stemmed from the belief that there are shortcomings in the way Groundfish products are marketed. If the weaknesses can be identified, it should help to provide an indication of how the marketing process might be improved. The problems identified the conclusions embodied in this report can assist in making progress toward a more efficient organization of the entire Groundfish marketing activity.

A number of problems with respect to Atlantic Coast's Groundfish marketing in the United States has been identified in this report. They are dealt with under the following five headings:

(a) the international nature of the marketing problem;

(b) problems with respect to the marketing system;

(c) problems in market development;

(d) problems in product development; and

(e) problems in marketing support services.

In summary, the main problems confronting the Atlantic Coast groundfish industry are:

a. the intensive competitive international environment surrounding the marketing operation;

b. structural inadequacies as evidenced by fragmented and weak selling on the Atlantic Coast vis-a-vis concentration in buying in the United States; also financial weakness as indicated by under-capitalized processing and exporting operations together with stringent credit limits leading to distress sales in the U.S. market at below cost prices;

c. lack of information on the day-to-day situation with respect to purchases, sales, stocks by sizes and species, consigned stocks vs. purchased stocks, also the lack of adequate information on the production and supply situation in major supplying countries, the timing of sale, the growing and declining market segments and products in major export markets, etc.; and

d. inadequate freezing facilities (e.g. I.Q.F. freezing facilities) and cold storage space limitations and the somewhat poor quality of existing facilities.

Any programs aimed at improving the Groundfish marketing operation on the Atlantic Coast must take into account the international nature of the problem and the limited effectiveness of purely national policies.

In view of the international milieu surrounding the Groundfish marketing operation, any attempt to seek a solution purely within the confines of domestic actions and policies within a single producing country is unlikely to yield the desired results. Thus, simultaneous action both on an intra-national and inter-national level is desirable.

The demand outlook for groundfish in the U.S. during the short-term, medium-term and long-term period is quite good. However, the supply of Groundfish in six selected countries that normally export to the U.S. market (Canada, Iceland, Norway, Denmark and Greenland, Poland and West Germany) is expected not to exceed 15% over the 1967 production level.

This would indicate that during the nineteen seventies, there should be growing pressures on a limited Groundfish supply resulting in an improvement in the price situation. However, in the short run, and particularly during seasonal periods, supply conditions particularly in Cod and Ocean Perch are likely to inject an element of instability in prices, unless remedial measures are taken to regulate the flow of supply in relation to market demand.

On the Canadian Atlantic Coast, presently, there are two programs in operation with respect to frozen Groundfish. These are: (a) the Working Capital Loan Program of the Federal Department of Fisheries and Forestry; and (b) the Purchase Program of the Fisheries Prices Support Board. Both are effective attempts to remedy two of the basic and long-standing weaknesses in marketing, viz., lack of inventory financing and distress sales (at below cost prices) and consignment sales.

It would appear that, for a more permanent solution to the problems, it is desirable to have additional policies and programs. An optimum solution of the Groundfish marketing problem requires a co-ordinated program embracing: (a) the marketing system; (b) market development; (c) product development; and (d) marketing support services.

Consultations among international Groundfish suppliers to the U.S. market should be continued in order to facilitate the exchange of useful marketing and production information. The present fragmented marketing system makes it difficult for Canada to speak with one voice in international discussions.

What seems to be required is greater attention to the following aspects of Groundfish marketing and more coordination in the exercise of service functions by existing Government Departments:

Purchase and Sale of Fishery Products

- to prevent distress sales and to stabilize depressed market prices at a level equivalent at least to the production costs of efficient Atlantic Coast processors.

Supply Management Coordination

- To suggest to exporters a suitable plan for the sale of commodity items to the U.S., limiting if necessary the the flow of shipments during the season by a temporary purchase storage program.

Working Capital Provision

- to provide working capital loans for prescribed periods to processors and exporters, as necessary, (this could be operated on the same lines as the 1969 working capital loan program of the Dept. of Fisheries and Forestry).

Marketing Intelligence

- to undertake on a continuing basis short-term, medium-term and long-term assessments of supply and demand conditions affecting the Groundfish industry both on the Atlantic Coast and in competing countries in order to enable marketing planning at the industry and governmental level and to render advice to exporters concerning market opportunities, profitable marketing channels, desirable product mix, quality and packaging considerations, etc.

Promotion

To stimulate the demand for fishery products in general and for specific items of Groundfish fillets in export markets. Promotion would include trade and consumer education, point-of-sale displays, marchandising stimulation, etc. The bulk of responsibility in this field would be with industry, the proposed body could only hope to stimulate.

Quality Control

Quality control should be excercised all the way from the point of landing to the final consumer level standardisation of quality and packaging are essential prerequisites to an effective market development programme.

All of these functions can be carried out possibly without incurring any additional expenditures through the existing facilities of the various federal government departments, as for example, the Dept. of Fisheries and Forestry, Fisheries Prices Support Board, Dept. of Industry, Trade and Commerce, Dept. of External Affairs, etc.

Technological research should be continued and strengthened in order to improve catching and freezing at sea; also to improve handling, processing and freezing and to develop new products.

Discussions should be initiated by the Government with the Atlantic Groundfish industry concerning an overall programme of product development compatible with consumer needs and preferences. A continuing program of consumer research should be initiated.

New product lines should be explored to give the consumer a wider choice. The Atlantic Coast producers should develop a product planning programme to reduce their dependence on traditional products such as 1 lb. and 5 lb. cello-wrapped packs and blocks and to switch into I.Q.F. and layer packs, graded fillets and portions, casserole dishes of fish, etc.

As regards marketing support services, freezing requirements of individual exporters should be assessed. Requirements for the construction or expansion and/or modernization of cold storage facilities should be assessed.

Given the present bouyant condition of the market and the attitude of the industry, probably no more is required than the effective coordination of existing programmes of the Federal and Provincial Governments. The essence of coordination is that some one agency should assume the overall responsibility for adequate and timely provision of services and information even though these services may be provided most effectively by a number of Departments in the Federal and Provincial Governments. What is, therefore, required is an identified responsibility centre for fisheries marketing services within the Federal Government.

2. GROUNDFISH LANDINGS AND UTILIZATION ON THE ATLANTIC COAST

The total Groundfish landings on the Atlantic Coast in 1968 was 1.2 billion pounds (landed weight). The average yearly growth rate in landings during 1957-1968 was 4.4%. Given an optimistic long-term outlook for Groundfish in the U.S. market, the landings are estimated to increase by at least 3% per year during the 1969-1980 period. During 1957-1968, there was no marked change in the per cent provincial distribution of total Groundfish landings on the Atlantic Coast: the distribution of total Groundfish landings in 1968 was: Newfoundland (48%); Prince Edward Island (2%).

Nova Scotia (31%); New Brunswick (7%); and Quebec (12%). During 1957-1968, the share of Cod and Haddock in total Groundfish landings declined. In contrast, Flounder and Ocean Perch have increased their relative shares. About 75% of total Groundfish landings take place during April to October. Newfoundland accounts for over 60% of Cod landings, Nova Scotia 25%, Prince Edward Island 1%, New Brunswick 4% and Quebec about 10%. Nova Scotia accounts for over 90% of total Atlantic Coast landings of Haddock. During 1957-1968, Flounder landings on the Atlantic Coast have more than tripled in volume. Newfoundland and Nova Scotia account for most of the landings of Flounder, 48% and 40%, respectively. Quebec and Newfoundland have the largest shares of landings of Ocean Perch (35% and 32% respectively, in 1968). Frozen blocks accounted for only 39% of total Groundfish freezings on the Atlantic Coast in 1968 as compared with 54% in 1965; Fillets constitute 60% of total Groundfish freezings in 1968 as compared with 45% in 1965.

3. THE U.S. GROUNDFISH MARKET

During the 1958-1968 period, the total consumption of Groundfish in the U.S. increased at the annual average rate of 5.1% and per capita consumption at the rate of 3.8%. Assuming that per capita consumption would continue to increase at the rate of 3.6% per annum, we estimate the total Groundfish market to be 740 million pounds in 1975 and 930 million pounds in 1980. It is most likely that the actual growth rate will exceed 3.6%. The fresh and frozen fillets of Cod constituted about 12% of the total U.S. Groundfish market. The total consumption of fresh and frozen fillets of Cod was 63 million pounds in 1968 and is expected to be 70 million pounds in 1970, 88 million pounds in 1975 and 112 million pounds in 1980. The Canadian share of the total U.S. imports of Cod blocks declined considerably during 1968 and in the first

six months of 1969 from 46% in 1967 to 37% in 1968 and 27% in 1969; the Canadian share of U.S. fresh and frozen Cod fillet imports declined from 67% in 1967 to 56% in 1968 and 53% in 1969. During the same period, Iceland, Norway and Poland substantially increased their corresponding shares in these items. The total world supply of Cod (expressed in fillet weight) during 1968 increased by almost 28% over the previous year; corresponding increase in Canada was 26%, Iceland 15%, Denmark 15%, Norway 23%, Poland 33%, West Germany 15%; and in the six countries that generally supply to the U.S. (Canada, Iceland, Norway, Denmark and Greenland, Poland and West Germany), the increase amounted to 17%. During the 1958-1968 period, the world supply of Cod has increased at the rate of 4% per year; the corresponding annual increase in the six countries that supply to the U.S. was 2.2%. Canada accounts for about 8% of total world Cod landings; the six countries for about 37%. Canada's supply of Cod as a percent of the total supply of Cod originating with six countries was about 20% in 1968; the relative shares of Iceland, Norway, Poland, Greenland and Denmark and West Germany were 16%, 24%, 11%, 9% and 19%, respectively. The ratio of world supply of Cod to consumption of Cod in the U.S. market was 13.2:1 in 1958 and 9.3 in 1968; we estimate that by 1970, 1975 and 1980, this ratio is likely to decline to 7.2:1, 5.6:1 and 4.4:1, respectively. The ratio of Cod supply from the six countries to the consumption of Cod in the U.S. was 5.9:1 in 1958 and 3.5:1 in 1968; we estimate that this ratio is likely to decline to 2.7:1 in 1970, 2.1:1 in 1975 and 1.6:1 in 1980. Thus, over the long-term, the ratio of Cod supply to the U.S. market is showing a declining trend, indicating that there is good possibility of a supply shortage in the not-too distant future. The consumption of Cod fillets and blocks in the U.S. is estimated to rise from 253 million pounds in 1968 to 279 million pounds

in 1970, 364 million pounds in 1975 and 475 million pounds in 1980. In order to maintain Canada's present share of the U.S. Cod fillet market, it will have to virtually double its present level of exports by 1980. To maintain a 30% share of the total U.S. Cod block market, Canada will have to increase its exports of Cod blocks from 65 million pounds in 1968 to 109 million pounds in 1980. Canadian exports of Cod fillets and blocks to the U.S. during 1968 constituted over 80% of its total supply of Cod. In order to export the desired level of Cod blocks and fillets to the U.S., the landings of Cod on the Atlantic Coast will have to be higher than 700 million pounds in the 1970's. Even if Cod for salting were to be phased out completely, there would be a short-fall of fresh and frozen Cod supplies by 1980, unless landings increased, beyond 700 million pounds.

The total consumption of Haddock fillets in the U.S. is estimated to be around 58 million pounds in the 1970's. Canada accounts for over 65% of the U.S. imports of Haddock fillets. The ratio of world Haddock supply to the U.S. consumption of Haddock was 3.0:1 in 1967. The corresponding ratio for the five selected countries was (Iceland, Canada, Norway, Denmark and West Germany) 1.1:1.

The per capita U.S. consumption of Flounder has increased at the rate of 3.7% per annum during the 1958-1968 period. We estimate the total U.S. consumption of Flounder to increase from 95 million pounds in 1968 to 169 million pounds in 1980. Almost 98% of U.S. imports of Flounder fillets originate with Canada.

The U.S. consumption of Ocean Perch fillets was 71 million pounds in 1968 and is estimated to rise to 127 million pounds by 1980. Canada accounts for over 90% of total U.S. imports of Ocean Perch fillets. The ratio of world supply of Ocean Perch fillets to the consumption of fillets in the U.S. declined from 4.9:1 in 1958 to 3.1:1 in 1968. During this period, the ratio of Canadian supply of

Ocean Perch to the U.S. consumption of fillets increased from 0.23:1 to 0.68:1.

Considering fresh and frozen Groundfish fillets and blocks as a whole (Cod, Haddock, Flounder and Ocean Perch) Canada's share of the total U.S. market has been around 45% in recent years. In order to maintain that share, Canada will have to increase its exports from 233 million pounds in 1968 to 266 million pounds in 1970, 336 million pounds in 1975 and 438 million pounds in 1980.

The retail value of food sales for the away from-home U.S. market is estimated to be around $29 billion in 1970. By 1970, it is estimated that a third of all meals served in the U.S. will be away from home. Colleges and Universities, Employee Feeding Agencies, Caterers, Vending Machine Operators and Food Service Contractors are expected to experience an accelerated gain as compared with other segments of the Food Service Industry. Pre-portioned Seafood accounted for almost 90% of all Seafood purchases by Chains in 1967, as compared with almost 100% for Drive-Ins. The Drive-Ins and Cafeterias are the largest fish purchasers in the F-od Service groups in the U.S. Fish and Chips constitute a fast growing item of the Food Service market. It is likely to have a major impact on the consumption of fish in the U.S. and particularly of Cod.

4. ATLANTIC COAST'S GROUNDFISH MARKETING PROCESS WITH REFERENCE TO THE U.S. MARKET

Relative to other Groundfish suppliers to the U.S., the five provinces on the Atlantic Coast have a large number of small sellers engaged in exporting Groundfish products to the United States. The export volumes of a majority of sellers on the Atlantic Coast are small. The quantities exported by 20 smallest exporters each amounted to less than 4% of Canadian Groundfish exports to the U.S. in 1968. The largest ten sellers accounted for 76% of Canadian exports to the U.S. in 1968.

Vertical integration (backward) has been a growing feature of the Groundfish industry on the Atlantic Coast. However, there has only been very limited efforts aimed at vertical integration (forward).

There is a relatively high degree of concentration on the buying side of the U.S. Groundfish industry. The largest six wholesale processors accounted for 62% of U.S. imports of Groundfish; and eight processors for almost 70%. In contrast to the relatively large size of U.S. Groundfish importers, the majority of Canadian Atlantic Coast exporters are small. Vertical integration (backward and forward) is a growing feature of U.S. fishery marketing operations.

About 40% of Atlantic Coast exports of Groundfish are sold through brokers; 37% through wholesale processors, 22% through Canadian-owned sales distributing houses in the U.S.; and about 2% through wholesale distributors and Chains.

Financial ties exist between some sellers on the Atlantic Coast and some buyers in the U.S. affecting up to 15 to 20 million pounds of Groundfish sales. About 65% of export sales are sold to New England, 11% to New York and Vicinity, 20% to Chicago and suburbs and 6% to Other areas in the U.S. The Canadian exporters who own sales distributing houses in the U.S. have a better spatial coverage of the U.S. market than others. Despite the presence of numerous brands, there is no serious evidence of product differentiation among the Canadian exporters. However, there is a real distinction between all Canadian brands and Icelandic and Norwegian brands. The quality of some Canadian products is considered to be inferior to that of Scandinavian products. There is a relatively high degree of price competition among Canadian Atlantic Coast exporters and little or no product competition based on produce brand.

The combined effect of loans, assistance and subsidies on the part of the Federal and Provincial governments has been to make easy, the conditions of entry into Groundfish processing and exporting on the Atlantic Coast. However, exit from the industry has been difficult due to a number of reasons.

5. THE MARKETING CONDUCT OF ATLANTIC COAST EXPORTERS

Over 75% of Atlantic Coast's exports are sold on an "agreed price" basis; about 25% are sold on "consignment", that is, shipped into the U.S. as "unsold" fish. Over 50% of exports consist of fillet items, 7% I.Q.F. and layer pack products, and 41% blocks. Cod blocks account for over 70% of total exports of blocks.

There is little promotion of Groundfish products in the U.S. undertaken either individually or in concert by the Atlantic Coast exporters. In terms of both general fish consumption promotion as well as in the promotion of branded products, the magnitude of the effort expended in the U.S. appears to be less than that of other segments of the food industry. Over the years, there has not been any formal or informal co-ordination of the marketing effort of the various exporters on the Atlantic Coast with a view to regulate the flow of Groundfish supply into the U.S. market. Nor has there been any organized form of production control adjusting either the mix or volume of production to the needs of the U.S. market. The basic philosophy of the Atlantic Coast exporters can be characterized as a "selling" rather than "marketing approach" leading to a lack of co-ordination between production and market requirements.

6. THE MARKETING PERFORMANCE OF ATLANTIC COAST GROUNDFISH EXPORTERS

The lack of co-ordination in selling has, partly, been due to the degree of fragmentation in the Atlantic Coast's Groundfish marketing effort. The marketing structure influences the marketing conduct. And, both structure and conduct are reflected in marketing performance. The marketing performance of Atlantic Coast exporters has in recent years been marked by instability in incomes and prices. Raw material costs account for about 45% of total costs of

Groundfish processors; direct labour costs for 25%; other variable costs 11%; packaging 6%; transportation 5%, depreciation 4%, storage 1.5% and insurance, changes in stocks and miscellaneous expenses for the remainder. The position of most exporters particularly in 1967 and 1968 indicated an intolerable situation, particularly with respect to working capital and inventory financing. Distress sales are a common feature of the Atlantic Coast Groundfish industry. Sales below costs have been widely prevalent in recent years and particularly in 1967 and 1968. During 1968, many exporters sold Cod Products at 5% to 18% below costs; Cod Blocks at 18% to 27% below costs, Perch 1's 13% to 20% below costs, Perch 5's 13% below costs and Perch Products 5% to 16% below costs. In order to put the Groundfish operations on a sound and on-going basis, it is necessary to achieve an increase in selling price in relation to costs of production and/or try to reduce the costs of production. During recent years, several components of processing costs have increased in the face of weakening market prices. This has had a crippling effect on the financial and operating position of most Groundfish exporters.

In comparison with the unstable nature of incomes and prices at the processor-exporter level on the Atlantic Coast, the returns at the broker, wholesale-distributor, wholesale-processor and chain level in the U.S. appear to have remained stable and in many cases have increased. For example, reductions in the price of Cod Blocks have not been reflected in a decrease in the price of Sticks and Portions at the wholesale-processor, wholesale distributor and retail levels.

The Atlantic Coast fisherman has obtained an increasing share of the U.S. wholesale price in Cod and Haddock, a fairly stable share in Ocean Perch and a declining share only in Flounder. In contrast, the processors have been

caught in a cost-profit squeeze.

In recent years, there has been an increasing number of rejections of Atlantic Coast products in the U.S. on grounds of quality and conformation. The conformation defects of Canadian frozen blocks have caused a lower yield to U.S. processors, reportedly about 8% less than comparable Scandinavian blocks. The Canadian blocks are not always consistent and uniform, resulting in work delay, machine delay, etc. Many Atlantic Coast producers have also been negligent of quality standards. It appears that quality control at the plant level is not effectively carried out. As far as the introduction of new products are concerned, only very few exporters have attempted to do so. The existing product portfolio is almost limited to frozen blocks and the traditional 1 lb. and 5 lb. cello wrapped packs. I.Q.F. and layer packs as well as cooked and breaded products are exceptions.

7. GROUNDFISH STOCK LEVELS AND PRICES IN THE U.S.

The average size of stocks of Cod blocks in the U.S. has increased during 1964-1969; larger stocks appear to be the pattern, reflecting both demand and supply conditions. Per capita consumption of sticks and portions has risen considerably throughout the past, indicating a steady and rising demand for blocks. It is not so much the absolute level of stocks that influence prices, as the amount of unsold stocks of blocks in the U.S. cold storages held by producers and/or brokers. While month-to-month changes in stocks have had little influence on prices, over a longer period stock levels have had a perceptible influence on price. The amount by which monthly inventory of Cod blocks exceed the apparent monthly consumption of blocks is a useful yardstick to judge the adequacy or otherwise of the level of stocks. On this basis, the stocks were high in relation to consumption in the latter half of 1965, 1966 and 1968.

In general, a stock size of 1.5 times the level of apparent consumption may be considered normal.

8. GROUNDFISH MARKETING SUPPORT SERVICES IN THE ATLANTIC COAST

The Atlantic Coast exporters need more specific market and marketing information than they receive at present. For the effective management of price and supply stabilization programs, accurate estimates of prospective production, storage, carry-overs and internal movements are essential. The kind of information required under the present and emerging environment is that which would help in carrying out the market planning function. This is, as yet, an undeveloped or under-developed business function on the Atlantic Coast. Inadequate information about the state of total supplies from competing countries and about the demand conditions at the primary wholesale level has been a characteristic weakness of the Atlantic Coast Groundfish marketing process. While information on the current levels of U.S. and Canadian production and stocks are available, such information is not available on the major European producers. Also lacking is information on stocks of blocks by species and blocks by sizes. Further a breakdown of block holdings between "sold" and "unsold" is not available.

Inventory financing is one of the most serious problems facing the Atlantic Coast exporters. The recently initiated Working Capital Loan program of the Fisheries Prices Support Board is an imaginative step to solve this problem. Because of the shortage of working capital, processors have tended to borrow in times of need especially before production, and thus become indebted to U.S. buyers. They are consequently obliged to sell often at prices below those ruling in the market as a condition of renewing the loan. Further, almost all Groundfish exporters on the Atlantic

Coast find their bank credit limits much too low and restrictive. Most exporters feel that a doubling of credit limits would be desirable. In order to finance inventories of fillets and blocks of Cod, Haddock, Ocean Perch and Flounder on the Atlantic Coast, about $10-$11 million would be required at the 1968 production and inventory levels. Of this, $5.2 million (50%) will have to be used to hold Cod fillets and blocks; $1.2 million for Haddock (12%); $2.0 million (20%) for Ocean Perch and $1.7 million (17%) for Flounder.

The limited nature of freezing facilities and the sub-standard quality of many existing facilities constitute a constraint on the production of new products such as I.Q.F. Additional plate freezers and tunnel freezers are required. Many exporters would readily increase their volume of I.Q.F. production if only they had the suitable tunnel freezing facilities. Besides freezing, the Atlantic Coast exporters also need to improve the extent and nature of their cold storage facilities. Many plants need additional facilities within their own premises.

Most exporters in Newfoundland, Nova Scotia, New Brunswick and Prince Edward Island find transportation facilities adequate. However, Groundfish exporters in Quebec have found it increasingly difficult to get timely truck transportation to the U.S. market at reasonable rates. In Nova Scotia, the weight restrictions on highways present some difficulties to the processors attempting to get their products to the markets as rapidly as possible. On the whole, transportation aspects do not constitute a problem in the marketing of Groundfish, at least in terms of the adjustments that have been made by the Atlantic Coast producers. For example, Newfoundland producers experience no transportation problems with their existing product line. However, if they were to attempt to market

fresh products, they would meet serious transportation problems. The nature of the Atlantic Coast Groundfish industry represents an adaptation to transportation problems. That current problems are so few indicates the success of the adjustment not necessarily the lack of a fundamental problem.

The Groundfish industry on the Atlantic Coast as in the case of most other fisheries has found it increasingly difficult to attract the necessary skills at the plant and managerial levels, with resulting inefficiencies in management and production.

9. U.S. TARIFFS AND ATLANTIC COAST GROUNDFISH TRADE

Under the Kennedy Round, the U.S. tariffs on frozen fillets will continue to remain at the present level of 2.5 cents per lb.; however, the duty on Fish Sticks and Portions will undergo a 50% reduction during 1967-72. Presently, the duty on uncooked Sticks and Portions is 16% ad valorem and on "other" Sticks and Portions, 24% ad valorem. These would decline to 10% and 15% ad valorem, respectively by 1972. Similarly, Frozen Blocks which were liable to a duty of 1 cent per lb. in 1967 will be free of duty by 1972.

The U.S. fish sticks and portions industry appears to be a heavily protected one. Only 0.35% of total U.S consumption of fish sticks and portions in 1968 was met from imports; the rest was supplied by domestic producers. About 99% of total improts of fish sticks and portions in 1968 originated with Canada. The corresponding import shares of U.S. consumption in Cod, Haddock, Flounder, Ocean Perch and Blocks were 75%, 36%, 42%, 69% and 100%, respectively. Most of the U.S. fish sticks are produced in the Atlantic States; however, in the case of fish portions, interior and Gulf states are also important centres of production.

The total Canadian production of sticks and portions in 1968 was over 8 million lbs. A shift from the export of blocks to the processing of sticks and portions on the part of Atlantic Coast exporters would undoubtedly involve a good deal of preparatory market and marketing channel development work in the U.S. The Atlantic Coast exporters will also have to compete with their traditional buyers with established marketing channels. The structure of processing costs for one of the most efficient U.S. processors (in 12-14 oz. fish sticks and 12-9 oz. fish sticks) was as follows: Raw materials including Breading, Oil and Batter 63%, Packaging 9%, Labour 9%, Overhead 13%, and Other 17%. Under zero tariffs, the Canadian processors would have competitive advantages over the U.S. counterparts in terms of cheaper raw material (cheaper by about 9%)and cheaper labour (20% to 25%). On this basis, the net difference in manufacturing costs for 12-14 oz. fish sticks between a hypothetical Canadian plant and a typical U.S. plant would be 4.63 cents (U.S. funds). This is the extent of cover the Atlantic Coast exporters will have to absorb market development and related costs to penetrate the U.S. market. If one were to express the manufacturing costs of the Canadian hypothetical plant and the typical U.S. plant as percent of the prevailing U.S. wholesale price (for 12-14 oz. fish sticks) the net difference in advantage for the Canadian plant would amount only to 0.8%. Because of this very marginal difference, it is difficult to see a massive shift of production of fish sticks and portions from the U.S. to Canada in the vent of a zero tariff.

If Canada were to convert its exports of blocks to sticks and portions, it would theoretically mean an increase in production from the present level of 8 million lbs. to almost 130 million lbs. As a practical proposition, to obtain a 5% share of U.S. apparent consumption of sticks and portions by 1970, Canada will have to increase its

exports from its present level of 871,000 lbs. to 14.8 million lbs.; to obtain a 10% share of the market by 1975, Canada will have to export 39.7 million lbs. A 5% share of the U.S. market would mean the creation of employment in the manufacturing of fish sticks and portions on the Atlantic Coast for about 240 persons and a 10% share of the U.S. market in 1975 would generate additional employment for about 400.

SUMMARY RECORD OF INTERVIEWS WITH U.S. GROUNDFISH PROCESSORS AND IMPORTERS

in

Boston, Gloucester, New Bedford, Lowell,
New York, Philadelphia, Cleveland, Chicago
and Washington, D.C.

(January 20 - February 5, 1969)

During the course of this Study, interviews were held with the representatives of several U.S. Groundfish processing and importing firms in the U.S. A digest of the comments received during these interviews are given below. Confidential comments and data received during the interviews have been withheld from the following narrative:

- The Boston Blue Sheet does not specify the actual prices and quantities involved in day-to-day transactions. It indicates only the trend of reported prices from 15 - 20 buyers located in the New England area. These buyers report prices on a voluntary basis; they may or may not report actual prices. Hence, the price quotations given in the Blue Sheet are only a guide to marketing. The Blue Sheet is more useful in pointing out the directional changes rather than the absolute level of prices. To be more meaningful, the Blue Sheet should report actual quantities and prices. It is also necessary to have weekly stock reports in Canada, U.S., Scandinavian and other Groundfish supplying countries. The proposed North Atlantic Fillet Council was an effort in this direction. It was organized by a group of producers from the New England area, Canada, Norway, etc. The initial intent of the of the Council was to initiate a fillet advertizing program but the Council encountered several difficulties in starting such a program. Therefore, the Council decided to start a market information service, with the objective of facilitating discussion of common problems among producers such as quality improvement, packaging

costs, data availability with regard to market prices, weekly stocks, etc. A bulletin was planned for the members. The Council did not get underway on account of the difficulties encountered among the producers to supply, on a regular basis the needed information. The Council was eventually abandoned;

- It was mentioned that the production and marketing costs of many U.S. processors as well as that of distributors and retailers, have increased; e.g. labour costs, storage costs, transportation costs, financing costs, packaging cost, etc. Rising costs, in the opinion of some processors, have eroded to some extent, the advantages arising from the lower block prices, thereby preventing a lowering of product prices to the distributors and retail houses. There appeared to be a tendency for prices to be rigid downward and to be somewhat flexible upward. One major processor mentioned that he had not changed his product price in the last five years, but that the prices of his inputs have risen and declined meanwhile;
- The excess supply of blocks in the U.S. market was attributed to :
  - (a) devaluation in Iceland and Denmark and the consequent higher competitive edge of Icelandic and Danish exporters in the U.S. market,
  - (b) a shift of exports from traditional markets in Africa and Eastern Europe to U.S.A. due to changes in these markets,
  - (c) shifts in the utilization of European Groundfish more and more from salted and dried to fresh and particularly frozen, due partly to the growing trend for refrigeration in traditional markets, and
  - (d) the entry of new suppliers such as Poland, and West Germany;
- Some U.S. buyers referred to the unrealistic pricing policy

often pursued by the Atlantic Coast exporters. They said that the Canadian practice, at least in the past, has been to seek and obtain the "highest" possible price without considering the competitive implications in the market of maintaining such a price level. For example, the maintenance of a high level price for cod blocks in 1965 and 1966 encouraged competitors to tool up for a higher level of production. The U.S. buyers also referred to the recent rise in Canadian scallop prices (50%) and the increase in Atlantic Coast crab meat prices. One major buyer of scallops said that if the present price trend continued, he would discontinue the purchase of the item. Some buyers mentioned about the possibility of substituting shrimp and other products for crab meat, if the rising price trend with respect to Atlantic Queen crab continued. In this context, the buyers pointed out the more moderate pricing practices of South African lobster tail producers. As a long-run marketing strategy, they generally preferred a slightly lower price than what the market was willing to pay;

- Some U.S. buyers have, in the last two years, shifted their purchases of Groundfish blocks and to some extent fillets from Canada to European countries. They said that their purchasing policies were no longer "purely Canadian oriented", but that they were more and more internationally oriented;
- According to many U.S. buyers, the Scandinavian suppliers have become increasingly aware of the long-run potential of the U.S. Groundfish market and are aggressively seeking a larger share of it. Several marketing teams and study groups from European countries have visited the United States in recent years;
- Some buyers mentioned that it was not so much the exercise of market power on the buying side that precipitated the

price decline for cod blocks in the U.S. market as the intense degree of price competition among competing sellers;

- According to a Broker, there is presently a buyers' market for cod blocks in the U.S. As such, there is little or no competition among buyers. However, a large buyer may have to pay a higher price on account of his need to maintain adequate inventory levels depending upon the supply situation;
- In order to stabilize supply, buyers are increasingly entering into forward contracts especially for frozen blocks. The contract is an open one in the sense that parties have the right to revoke it. The contract does not stipulate price but only specifies quantity and quality requirements. The selling price is, generally, agreed to be that which prevails at the time of delivery. A major buyer in the U.S. has a five year contract with Poland for over 15 million pounds of cod blocks, per year. Large orders to users like McDonald's are also normally processed through contracts;
- Many brokers mentioned that of their clients - Atlantic Coast exporters - were not generally aware of the U.S. market needs at the time their production was processed and packed in Canada. Consequently, they packed what they found it convenient to pack and then unloaded production on the market. A more realistic approach would be for the Atlantic Coast processors to find out in advance what the U.S. market wanted and then to go about to pack it;
- The Atlantic Coast exporters need to have some kind of a representative in the U.S. market, particularly in view of their heavy dependence on that market. In order to do an effective marketing job in the U.S. market, they need something more than the fragile relationship that often exists between them and their brokers in the U.S. In con-

trast, Iceland and Norway are strongly represented in the U.S. market. The U.S. buyers found it difficult to explain why Atlantic Coast exporters have not so far chosen to get represented in the U.S. market in some institutional form. According to them, benefits of such a representation should more than outweigh its costs;

- Iceland, Norway and one or two Canadian companies resort to to "double distribution" practices in the U.S. market. That is, they sell blocks to U.S. wholesale processors; they also process blocks themselves and compete with the wholesale processors in the final product market. This is not generally looked upon with favour by the large wholesale processors. Therefore, they try to avoid buying from such companies as much as possible;
- It was mentioned that cod blocks, despite their low price level on the U.S. market at present, was one of the strongest items in the U.S. market. I.Q.F. and layer pack products have also been strong and will, undoubtedly, continue to be so. Many buyers mentioned that they could not get enough quantities of I.Q.F. from Canadian Atlantic Coast exporters. Iceland has, in recent years, stepped up the production of I.Q.F. and layer pack products. The traditional one pound and five pound Cello wrapped fillet packs are at best only holding the market if not declining. Sticks and portions are likely to continue to maintain their past growth rates;
- The latest food fad seems to be fish and chips drive-ins. Judging from the boom presently building up in California and around, this latest food fad is likely to have a major impact on fish consumption in the U.S. The Atlantic Coast exporters should take advantage of the fish and chips business opportunities;
- Many buyers referred to the increasing substitution of whiting for cod. In the past, there has been a tendency

to substitute whiting for cod, when the price for cod increased. At relatively short notice, large quantities of whiting can be imported from Japan, South Africa, South America and West Germany. (When Haddock prices were high in the past, there was a tendency to shift from Haddock to Cod). In recent years, whiting appears to have entrenched itself in the U.S. fish market. It has become an approved item on the school lunch program. When whiting first came in, its quality was somewhat poor. But since then, there has been a marked improvement;

- Increased seafood consumption in the U.S. requires a concerted program of advertizing and promotion. Advertizing expenditures by major frozen food packers in the U.S. in 1968 (January-June) and 1967 (12 months) were $17.8 million and $26.5 million, respectively;
- The financial weakness of the Atlantic Coast exporters has reflected itself in the quality of products exported into the U.S. in recent years. According to some buyers, the rate of rejection of Canadian products has, of late, increased;
- In addition to the usual 13½ lb. and 16½ lb. frozen fish blocks, the Icelanders have introduced an 18½ lb. block which lends itself to be cut horizontally as well as vertically;
- Some U.S. buyers tend to shift sources of purchase (revoke contracts) for very small changes in price. This has caused concern among some Atlantic Coast exporters. The buyers in the U.S. appear to have preference for the products of certain producers in the Atlantic Coast, largely on account of quality consideration;
- It was mentioned that if the Atlantic Coast exporters set up a marketing board to market their blocks in the U.S., it was necessary to ensure that all producers selling to, and through the Board, would adhere to quality standards;

- The major buyers mentioned that raising the selling price of Atlantic Coast Cod blocks in the U.S. market to its break-even price level (say 24-25 U.S. cents per lb.) was not objectionable per se, as long as steps were taken to ensure that no single buyer-processor in the U.S. was able to purchase blocks below that price;
- During periods of over-production of Groundfish products, it is necessary to hold the surplus from flowing into the U.S. market. The need for a mechanism to ensure this was stressed by some U.S. buyers. The Norwegian and Icelandic marketing organizations in the U.S. help to regulate, to some extent, the supply flowing into the U.S. market. The need for the Canadian Atlantic Coast exporters to have a somewhat similar mechanism was stressed. In both Norway and Iceland the producer is generally relieved of his responsibilities as soon as the frozen product is prepared. The marketing organization then takes over the product. Thus, the producer is freed from the burden of having to finance his inventories;
- Exporters from the Atlantic Coast and other supplying countries shipping blocks into the U.S. without the immediate prospect of a sale have tended to increase the number of "general offers" in recent years of cod blocks in the U.S. market. For example, the Nordic group (the new export marketing organization in Norway) had during 1968 shipped into the U.S. about 10 million lbs. of unsold (consigned) cod blocks. These blocks were then offered to several buyers by a broker, in Boston;
- The need to undertake a planned program of product diversification was stressed. For example, an increasing proportion of production should be channelled into I.Q.F. and layer packs, graded fillets, e.g. 4 to 6 lbs., 6 to 8 lbs., etc. With reference to cod, there were several products that could be produced:

(a) blocks

(b) 5 lb. and 1 lb. layer packs

(c) various types of gourmet cuts (centrepiece, breasts, etc.) as required by restaurants and institutions, and

(d) I.Q.F. products including I.Q.F. tails.

Continuing studies at the consumer level must be made in order to obtain ideas concerning new product development;

- An effort should be made to make boneless fish. The Icelanders have built a product image in the U.S. on the basis of (a) boneless fish, (b) white cod, (c) one day old cod, etc. In this connection, it will be noted that a 5 lb. cello pack Icelandic cod sells for 38¢ per lb. in the Eastern United States as compared with 22.5¢ for a corresponding Canadian product. As long as the Canadian producers continued their traditional line of product, not much improvement could be expected notwithstanding the setting up of a marketing organization. Thus, a more realistic product portfolio, based on the needs of the U.S. market, was a must. Blocks cannot, of course, be eliminated altogether. But the proportion of boneless Jumbo cod fillets, I.Q.F. cod tails and layer pack cod fillets can be increased. By reducing blocks, it should be possible to <u>improve</u> fillets, i.e. by selecting the best fillets and grading them;
- Much of the demand for the traditional 5 lb. and 1 lb. cello pack is shifting to I.Q.F. and portions. Similarly, the traditional breaded and pre-cooked portions are not holding up due to the increase in demand for I.Q.F. plain and I.Q.F. breaded and crispy breaded portions;
- Some U.S. buyers mentioned that there was a noticeable trend towards more and more vertical integration - backward and forward. Most of the buyers felt that there was a big future ahead for the Groundfish industry. One wholesaler mentioned that if the market improved, many American firms

would, likely, buy Canadian Groundfish processing firms;

- Some buyers mentioned that the American consumer was capable of buying products (sticks and portions, fish and chips, etc.) made out of cod blocks priced at 25¢. - 26¢. F.O.B. Boston/Gloucester. The retail demand was not likely to decline on account of a small increase in the retail price of sticks and portions;
- One major broker quoted the following figures relating to his company to indicate how I.Q.F. and layer pack products have increased in sales in recent years:

Sales in 1964	Sales in 1965
a) 200,000 lbs. of Flounder	8,000,000 lbs.
b) Haddock layer pack 10 and 15 lb. Nil	2,000,000 lbs.

The same broker sold 1 million lbs. of perch layer packs in 1968 as compared with only 100,000 lbs. in 1967;

- Too many Canadian exporters are packing "private" labels. Canadian brands have yet to be developed and promoted. The Icelanders and Norwegians have already promoted a brand image in the U.S. for their products. Their packaging is generally considered superior to that of Atlantic Coast Products;
- Some U.S. Brokers expressed the need for more speedy transmission of information about Canadian stocks and production in order to perform a good marketing job in the U.S.;
- Canadian firms having their own distributing houses in the U.S. seem to realize a better return on their products, than those who sell to U.S. importers. For example, a Canadian exporter who sold through a broker gets 23¢ per lb. for 5 lb. cello wrapped cod; the same product sold by a Canadian owned distributing house in the U.S. gets about 28¢ - a difference of 5¢ per lb. Many brokers do not sell directly to wholesale distributors or chains but

to other super-brokers, who in turn sell to other distributors. They also seem to have a better coverage of the U.S. market in that they have brokers in several parts of the U.S. Some of them have also entered into processing arrangements with U.S. processing plants. Unless Atlantic Coast producers are willing to move more and more into I.Q.F. and portion control, it would not be adviseable to set up a distributing house in the U.S. Only on the basis of a strong and modern product base can such an operation be effective. eg. Acadia Fisheries, National Sea, B.C. Packers, Caribou, etc. The Canadian-owned distributing houses in the U.S. have been able to co-ordinate their home-plant production to the needs of the U.S. market. For example, in 1968, through their timely advice, their Canadian plants were able to reduce the amount of cod going into blocks and increased I.Q.F. and other products;

- The total world catch of Groundfish was not increasing commensurate with the increasing effort per catch. The total Groundfish market, on the other hand, was increasing. Thus, a supply shortage was ahead;
- One wholesale processor mentioned that Polish cod blocks were of the highest quality. Poland had strict quality control operations and the workmanship of the block was also of the highest order. Polish Groundfish processors and plant personnel have visited U.S. fish processing plants with the objective of improving their product quality, standards and specifications.
- Some exporters on the Atlantic coast have resorted to the use of wholesale distributors in the U.S. as consignment brokers to handle and sell their Groundfish products;
- To some brokers in the U.S., fish products are just one of the several items handled by them. Sales by these brokers do not always strengthen the market, as they do not generally take a position in the market; their sales

operations, generally, tend to have a weakening effect on prices. Such brokers merely move the product at some price; as they have little or no investment at stake, they are reluctant to undertake any additional marketing services such as storage, transportation, etc. In order to make a sale, some brokers attempt to go below the prevailing market price. Basically, the problem revolves around the degree of interest and involvement the broker has with a sale. If the brokers had enough interest in a sale in terms of committed investment, their behaviour in the market place would be different;

- The Canadian Gov't should, instead of providing deficiency payments, finance inventories and maintain a floor price for Groundfish commodity items;
- While consignment sales from Eastern Canada was not an unusual event, there was little or no consigned sales from the west coast; similarly, relative to Eastern Canada, there was little consigned sales from the Scandanavian countries;
- The marketing margin at the chain store level, for fishery products generally was 30%;
- The Atlantic Coast exporters do not seem to be packing the right products in the right quantities; perhaps some one should oversee the U.S. market in advance and advise the several packing operations so as to meet the market needs;
- The basic problem with respect to fish marketing is the increased usage of fish for consumption both in Canada and the U.S.;
- The fish sticks regulation in Canada, prescribing an ounce stick does not appear to be realistic in as much as it does not permit the introduction of any changes. Standardization may not always promote innovation; perhaps, this is one

reason why fish stick sales have stagnated in Canada;

- Because of the intense degree of competition encountered from Scandinavian countries in commodity items, an effort should be made by the Canadian producers to shift from blocks into fillets and portions; but when small companies go into the production of these relatively low volume new products, they may lose even the little degree of efficiency and cost advantages that they may have. Thus, there appears to be a problem in switching from large volume commodity items to small volume new products such as I.Q.F. and layer packs;
- Retail prices for fishery products in recent years have not been adjusted to reflect changes in raw material costs, mostly because of the increase in factory input costs. For example, one processor mentioned that the hourly wage rate for his factory employees increased from 0.75 cents in 1966 to $2.25 in 1969. Consumer (retail prices) for most perpared fishery products have not changed for quite some time;
- One major processor expressed the view that a drop in price at the retail level in the price of sticks and portions of say 2-3 cents was not likely to further sales at the retail level; it would be difficult for many U.S. processors who are already spending fairly large sums of money on advertising and promotion to participate in any additional promotion programmes. Advertising and promotion campaigns must be aimed at young people "to start them young", to fishery products. Canadians do not seem to have stressed the health aspects of fishery products in their promotion programmes;
- One processor-buyer mentioned that it was difficult to rely on Canadian sources of supply, as they had a tendency to revoke contracts in order to obtain the highest possible price; this was particularly true during periods of shortage;

- One of the main problems with respect to Canadian fishery products was its traditional orientation to blocks, and 1 lb. and 5 lb. cello wrapped packs;
- Some buyers in the U.S. are loyal to their traditional suppliers and they do not attempt to buy below the market; in contrast there were some buyers who have little or no loyalty to their suppliers. By shifting sources of purchase, they insured themselves against price changes;
- There is need to change the reporting of stocks in the U.S. to include, for example, blocks by size: 13½ lbs., 16½ lbs., etc., and also blocks by species of fish (e.g.\ Cod Haddock, Flounder, Ocean Perch, Catfish, etc.);
- A marketing organization for Groundfish products should, apart, from other services, take out of the hands of producers all inventory financing problems; this in itself would be a valuable contibution in that the producer will be better able to concentrate on production problems, product variety, packaging, quality, etc;
- Some European countries have a strong domestic market to rely upon. For example, Denmark. Depending upon the conditions in the domestic market, production was planned. In recent years, there has been a considerable shift from salted fish to frozen fish;
- In order to develop new products, carrying out research at the consumer level would be a waste of money; it would be better to employ a few "idea men" to come up with suggestions and ideas which would prove useful in the market place;
- The starting of processing operations in the U.S. by Atlantic Coast processors is not as sound an idea as it would first appear to be. The overhead costs of U.S. processors are fairly high; 5 cents per lb. for breading;

it might be better to process or bread in the Atlantic Coast. The relatively soft trawler fish would be ideally suited for this purpose. However, tariff considerations must be taken into account;

- Almost identical products from the maritimes were sold at different prices in the U.S. For example, a Maritime processor during 1968 sold perch 1 lb. packs at 25¢ per lb. to wholesale distributors, while a consignment broker in New England, sold the same product for another Atlantic Coast processor (in the same province as the other Canadian processor) for 22¢ per lb. Consignment selling through brokers have a serious debilitating effect on the price level;
- Co-operation among producers in marketing would not be a success unless there was identity in interests at the plant level; or unless they all had more or less the same degree of quality control. The buyers in the U.S. have in the past and will continue to prefer the products of certain producers. Unless all the products sold by the marketing organization were of the same quality, it would be difficult for the marketing organization to market poor quality products;
- Improvements in marketing efficiency should produce substantial benefits both to the producer and the consumer. In efficient marketing from the Atlantic Coast has been a problem for a long time;
- Norway, Denmark and Iceland have better methods of marketing frozen blocks in the U.S. than Canada. The block trade in these countries is concentrated in the hands of a few sellers in contrast to a relatively larger number of exporters on the Atlantic Coast;
- Some brokers mentioned that during times of excess supply, Canadian exporters as in the case of all suppliers, were at the mercy of buyers. However, during

times of supply shortage, the U.S. buyer tried to insulate himself by entering into forward contracts. Thus, the Canadian supplier appeared to be at the loosing end during times of excess supply as well as of shortage;

- There appears to be a lesser degree of competition among the suppliers in Scandanavian countries than among Atlantic Coast exporters;
- One unique aspect of fish blocks was that all parts of it could be inspected without difficulty. Quality deterioration in any part (dehydration, worms, etc.) could easily be detected and product rejected;
- In seeking to purchase adequate Haddock supplies from Europe some U.S. buyers had to agree to the condition that they would buy also their cod production;
- Most big buyers in the U.S. are fairly quick to spot future weaknesses or strengths in block prices and to react to it;
- There ought to be an orderly marketing system concerning a commodity item such as Cod blocks; it could range from liaison among exporters to a full fledged marketing board;
- It is necessary that the Atlantic Coast exporters should have a marketing man in the U.S. who will ascertain prices, possible changes in prices, the buying practices and policies of major buyers, etc. On the basis of his advice, the exporters should regulate the flow of commondity products into the U.S. market; such a service should also help in correcting situations of over-supply as well as of excess shortage; the relationship between U.S. buyers and Atlantic Coast sellers should be taken into account when examining the factors that determine prices;
- Many buyers think that it is not advisable for Atlantic Coast firms to enter into processing operations in the U.S. as it may lead to competition with the U.S. buyers at the retail level. Unless alternative channels of

distribution have already been explored, this might lead to loss of sales in the existing channels; the Atlantic Coast producers should develop their own brands and promote them well in the U.S. market;

- Some Greenland packers receive advances from their buyers in the U.S. up to 100% of the value of the product shipped, in some items;
- All major buyers need a steady source of supply and the establishment of financial ties are designed to guarantee a steady supply;
- If suppliers were willing to guarantee shipping, some buyers would be willing to advance money, up to 100% of the value of the product;
- Some brokers/distributors in the U.S. guarantee a minimum price to the supplier and then take the market risk;
- Some brokers and processors mentioned that they had considerable difficulty in getting Atlantic Coast exporters to pack what the U.S. market needed; if the Atlantic Coast producers could change the distribution of their catch to take advantage of the Flatfish resources, their export marketing returns would be improved;
- Flounder and sole had excellent prospects in the U.S. market;
- If the Atlantic Coast exporters established a floor price, it would be welcomed by the Scandanavian producers. The floor price should not be settled by the suppliers alone; buyers also should be consulted. The essence of the problem was to maintain a floor price among all sellers;
- The Atlantic Coast exporters enjoyed a small freight advantage over their European counter-parts to the extent of 0.5 cents to 1.0 cents per lb.;
- In Norway, some producers were trying to break away

from the Frionor system and to establish an alternative export marketing organization;

- In the New York area and vicinity, Teddy's Frosted Sea Foods was the biggest processor with a volume of about 10 million lbs. of cod blocks; there was also 10 other smaller processors in that area;
- The average mark-up for wholesale distributors in the U.S. was about 20% on most items; it was as high as 50% on some items;
- There always appeared to be a few Atlantic Coast exporters who sold at below market prices; such marketing should be controlled and eliminated;
- What was required for the Atlantic Coast was not necessarily a marketing board but a complete planning of production to bring about that mix of products that was required by the U.S. market;
- The initiation of advertising and promotion programmes was not going to achieve the desired goals unless the underlying weaknesses of the system were eliminated; promotion and advertising programmes, as and when initiated, should be undertaken by all the suppliers concerned;
- A major importer who imports from both Canada and Europe mentioned the following percentage distribution of his sales:

  80% to processors
  10% to chains, and
  10% to wholesale distributors.

- A major drive-in chain mentioned that they generally bought about 75,000 lbs. of Flounder fillets (1/2 ounces and 3 ounces) per week on 3.9 million lbs. per year. In earlier years, this chain had Cod as on its menu; but it was removed as Flounder was found to be more suitable; this chain generally bought its own material through brokers and not directly from Canadian

producers because of the inability of the latter to pack according to specifications; if the Atlantic Coast exporters could do the packing, then they could eliminate the wholesale exporters from the channel and sell directly to the drive-in chains;

- During 1965 and 1966, the Atlantic Coast exporters raised the price of Cod Blocks considerably, and thereby made it very attractive for other countries to enter into Groundfishing in a big way. They, thus contributed to their own decline;
- A good advertising and promotion campaign can do a lot of good for the fishing industry through promoting increased consumption of fishery products; A major drive-in restaurant representative mentioned that a 5 cent increase in the price of raw material per lb. would necessitate an almost 25 cent increase at the final consumer level for the items they handled and that such an increase at the final level would most, likely, depress consumption;
- One major buyer had the following suggestions for the Atlantic Coast exporters:
  - -increase packing control;
  - -pack to specifications; and
  - -adopt a more realistic pricing policy
- Fishery products accounted for only 2% of the GNP in Denmark. Although there were, in all, 200 producers in Denmark, only 5 or 6 of them were of any importance. In Denmark, at the port level fish was auctioned. In Denmark, there did not appear to be a fixed break-even price for the processor, that is, if the international selling price declined, the price paid by the processor to the fishermen would be adjusted accordingly. In other words, there was no minimum prices to fishermen and no downward rigidity in prices at the fishermen level. In contrast, there appeared to be a downward price

rigidity at the fishermen level on the Atlantic Coast due, largely, to political pressures. The ex-vessel price of fish in Denmark reflected, largely, the pressure of market prices; as processors in Denmark was able to pass on their loses to the primary producer, they were better insulated, than their Canadian counter-parts from a profit squeeze;

- Denmark had a ready and accessible market in Europe. East Germany, West Germany, Czechoslovakia, U.S. The European market was, generally speaking, a high priced one;
- The warehousing facilities in Denmark were generally inadequate; there was no central warehousing facilities and each processor had to set-up his own facilities; this was a major handicap facing processors; since 1950, Denmark had more or less discontinued "salted & dried" fishery items. The markets for their products generally consisted of Italy, Turkey, Yugoslavia, etc. The salt fish designed for these countries was generally custom made under the close supervision of inspectors from the buying countries. Danish exporters to the U.S. generally sold to the following:

  Gortons of Gloucester;
  Booth Fisheries Incorporation
  O'Donnell Usen;
  Carl Pass;
  Sea Pak
  Mrs. Pauls Kitchens; and
  Danland Sea Food Corporation.

- Denmark spent about $15,000 per year on advertising and promotion in the U.S. The promotion undertaken was not tied in with final sales, it was mostly in terms of participation in Food Exhibitions;
- Danish exporters did not generally sell in the U.S. on a

consignment basis. They mostly dealt with importers who took title to goods;

- The retail mark-up for fresh and frozen fillet items in the New York market was about 35%;
- within a 100 mile radius of New York city, there was over 60 retail fish stores, 20 chain stores, 15 Hotel supply houses, 110 wholesalers and 200 brokers;

Some Maritime exporters were selling fresh and frozen fillets in the New York area on a consignment basis. This has had a depressing effect on price; they should instead be selling F.O.B. Canada on a fixed price basis; it was estimated that consignment sales amounted to over 30,000 lbs. per week in the New York area, by Atlantic Coast exporters;

- The Atlantic Coast exporters should undertake a co-operative marketing effort, at least in selected products for a trial period by pooling all their facilities; this should help fuller utilization of capacity;
- The B.C. Packers Association successfully marketed B.C.'s frozen salmon and Halibut at a controlled price in the U.S. market; this example should be imitated;
- The Atlantic Coast exporters should attempt (a) to control the quality of products flowing into the market; (b) to regulate the price; and (c) promote fish consumption in the U.S.;
- A portion of export price should be ear-marked for advertising and promotion purposes; efforts should be made to reduce the ups and downs in production and in inventories; this could be done only if there was a close understanding of the U.S. market;
- In the event a co-operative marketing effort was set up on the Atlantic Coast, penalties should be imposed upon those that violated the rules of the game. To safe-guard the interests of the co-op, a $50,000 bond should be insisted upon from the members;

In South Africa, there was a Rock Lobster Tail association and members sold through the Association at an agreed price. Similarly, Whiting products from South Africa were also sold at a controlled price;

- The brokerage in the U.S. ranged from 5% to 8% of the selling price; additional expenses such as storage, handling, freezing, etc. would cost another 5% of the selling price; Thus, the total expenses of selling through a broker was about 10%. Those Atlantic Coast exporters who have their own distributing houses in the U.S. incurred only about 7-8% of sales as their selling expense;
- Some Canadian distributing houses in the U.S. bought suppliers from competitive sources when their own sources were unable to supply the required products;
- One Canadian distributing house quoted the following prices obtained by it at the Hotel-Restaurant level, in February 1969.

I.Q.F. Grey sole	55¢ per lb.
Regular Grey sole	50¢

(they in turn sold it from 60-65¢ per lb.)

Perch Fillets 5 lb.	27¢ (medium)
	29¢ (large)
Perch Fillets 1 lb.	33¢

Small Cod Fillets 33¢ (In large quantities, over 5,000 lbs. 25¢ per lb. ex-public cold storage and 26¢-28¢ from own premises). I.Q.F. cod was sold at 40¢ per lb. and I.Q.F. Haddock at 48¢ per lb;

- Some representatives of Canadian distributing houses in the U.S. mentioned the need for a continuous feedback between the U.S. market and their home plant production schedules. In shifting to I.Q.F. production, a freezing

plant was likely to encounter labour problems, because of the skills required; but dispite any difficulties, I.Q.F. products should be produced in larger quantities;

- One of the most serious problems concerning Atlantic Coast exports was its poor product quality;
- The cost of warehousing in the U.S. was 35¢ per 100 lbs. for the first month and 20¢ per month thereafter;
- One buyer mentioned that he attemped to provide Canadian exporters - his clients - with advance delivery schedules;
- The Icelandic marketing organization in the U.S. did not generally remit the price they received in the U.S. to their affiliated companies in Iceland; they retained a portion of the earnings and engaged in point-of-sale promotion programmes at the super market level. The Atlantic Coast exports should not undercut each other in the U.S. market; they should collectively agree not to sell below a certain minimum level;
- One of the major handicaps facing the Atlantic Coast exporter was his narrow and limited product base; it was essential that he broadened his product base. It was easier to face a situation of demand shifts in the final market with a more diversified product portfolio than with a limited one;
- In February, 1969, although the stock situation with respect to blocks in the U.S. was quite satisfactory, 14½ lb. blocks were in short supply. It was more economical to use 14½ lb. blocks for making portions than 16½ lbs. blocks; but it was difficult for any one to know in advance about the forthcoming shortage or e excess supply of a particular size of block as stock figures did not list blocks by size. In order to equate a 16½ lb. block with a 14½ lb. block, it would cause the processor a loss of approximately 9% in yield; the Atlantic Coast exporters should know as accurately as possible what was the market requirements for 14½ lbs.

vs 16 ½ lb. blocks. The new 18 ½ lb. blocks produced by Icelanders gave a better yield than the traditional 14½ lb. and 16 ½ lb. blocks. It provided extra width in cutting and positioning. The 14½ lb. blocks could be cut horizontally; 16 ½ lb. blocks, vertically, and the 18½, horizontally as well as vertically;

- During times of falling prices, product quality and and conformity invariably deteriorated on account of the weak financial position;
- The world market for Salt fish had declined over the years and this had resulted in a shift of production from "salted" to "frozen";
- The terms of payment with most buyers was 15 to 30 days; some 60 days, depending upon the time of the year;
- The retail price series on fishery products in the United States was not entirely satisfactory in that they did not take into account "the specials" offered during the latter half of each week. It was based on price data relating to 4 days in a week, of which 3 were "non-special" days;
- The distributing houses of Atlantic Coast exporters in the U.S. enable them to gain a first hand assessment of the U.S. market; those firms that did not have this facility, generally rely on the brokers for this service
- Icelandic fishery products were better promoted and merchandised in the U.S. than similar fishery products from other countries;
- There were definite advantages in setting up a distributing houses in the U.S. by Atlantic Coast exporters. A frozen food distributor in the U.S. handled different products from a variety of producers; hence, they were not in a position to, effectively, promote any particular brand of products. However, a Canadian

distributor should be able to push its own product lines much better than a frozen food distributor;

- The setting up of a U.S. distributing house by an Atlantic Coast exporter would be useful and beneficial only if it contemplated to widen its product line and also shift from too much concentration in frozen blocks and slabs to fillet items;
- The advantages of entering into breading arrangements with a U.S. Processor, were as follows: the price of Cod I.Q.F. fillets to a U.S. processor was 28 cents (U.S.); the I.Q.F. breaded fillets sell for 39 cents at the wholesale level, that is, 39 less 27 cents = 12 cents. The cost of breading and other expenses (sales) were 6 cents. That is 6 cents per lb. was the net saving that an Atlantic Coast exporter could derive by entering into breading arrangements with a U.S. processor and selling the product himself;
- There are several alternative ways of tackling the present difficulties facing the Atlantic Coast exporters. Assuming that the Atlantic Coast exporters would continue to export from their home processing operations at home (that is, they will not set up processing operations in the U.S.), one way to improve the position of the Atlantic Coast exporter was to reduce the proportion of the total raw material going into the production of blocks and to increase the proportion of

  (a) 5 lb. boneless cod fillets,

  (b) I.Q.F. and layer pack products,

  (c) Headless and dressed flounder, etc.

  Another approach was for the Atlantic Coast exporters to set up distributing and processing facilities in the U.S. and to process in the U.S.

(a) portions

(b) I.Q.F. breaded fillets

(c) Consumer packs such as TV dinners, fish & chips, and battered products,

Yet another approach was to develop markets other than the U.S. and Canada;

- Atlantic Coast exporters should pack more "private labels" and sell more directly, to retailers;
- The existing National Fisheries Institute advertising programmes were not specific enough to be of much use in promoting a fillet market in the U.S.; the N.F.I. advertising and promotion budget should be increased and fillet markets should be developed;
- The sales expense (the equivalent of commission charged by a broker) of a Canadian distributing house in the U.S. was lower than the commission that was paid to a broker. i.e. the advantage of selling through a distributing house was that it obtained a better price;
- Some frozen blocks were more of a commodity item than others eg. Pollock blocks;
- The competition encountered by Atlantic Coast exporters from European suppliers was different in different products: For example, the Atlantic Coast Perch Products were not much affected by European Perch; similarly, Flounder and sole products were also not affected by European production; however, in cod products, the competition was more severe The U.S. banks encourage European competition;
- The school lunch programme in the U.S. has given a definite place for Whiting in the U.S. fishery markets. If Cod went up in price, Whiting could become a substitute for it;
- A Canadian distributing house representative mentioned that they planned to increase the proportion of direct

sales to retailers and decreased sales to processors;

- If Atlantic Coast exporters wished to get into the institutional and retail markets, they should seriously consider diversifying their product lines;
- Canadian producers and European producers should explore the manner in which they could co-operate in marketing fishery products in the U.S.;
- Big chains in the U.S. such as A&P, Kroeger, Safeway, etc. buy only high quality products. Therefore, it was doubtful if small Atlantic Coast processors could find entry into these firms;
- Some brokers mentioned that it would be useful if data relating to frozen fish production and stocks on the Atlantic Coast could be released faster to the U.S. buyers; the U.S. buyers need more accurate and speedy data on Atlantic Coast landings, stocks, plant expansion etc. so that they could plan their purchases;
- The packaging of Norwegian and Icelandic products were superior to that of Canadian products;
- The Canada inspection System was strict on quality but not on packaging; more over, the emphasis was on quality defects rather than "Conformation".
- The services generally performed by a broker was as follows:
    - enter the shipment through customs;
    - invoice it;
    - undertake responsibility for the account (that is, for prompt payment;)
    - expedite trucking;
    - provide market information; and
    - other

- To most European exporters, there were two markets available (a) home market and (b) the U.S. market. However, for Canadians the U.S. was the major market. The Atlantic Coast exporters were much too heavily dependent on the U.S. market, to a greater extent than their European counterparts. This dependence could be reduced by (a) increasing the size of the domestic market; and (b) by cultivating and developing other markets. Coupled with this high dependence was the some what fragmented export effort;
- Relatively small quantities of fish blocks, say, one truck load of Cod blocks sold at below market prices seemed to be enough to start a downward chain reaction in the main purchasing centres in the U.S.
- Some buyers thought that it was much too "easy to enter" into the buying and selling of fish in the Boston market;
- For New York brokers, fish was, generally, one of the many items they carried, but for Boston brokers, fish was the only item;
- Many U.S. buyers have in recent years increasingly shifted to European suppliers because their offerings had been superior to Canadian production in terms of quality and price; the shift from the Atlantic Coast to European suppliers was, partly necessitated by the nature of the seasons; the U.S. buyers sought supplies from Europe during October - April; the Canadian season was from April to October;
- With the objective of stabilizing supply, more and more U.S. buyers were entering into contracts or agreements to purchase; by spreading the sources of supply, buyers attempted to lower their average raw material costs;
- I.Q.F. poducts should be promoted and produced in

larger quantities; however, for the small producer, it presented some difficulties; it required tunnel freezing;

- The Frionor System of marketing for fishery products in Norway was based on the recommendations of the Frihagen Committee report issued in 1947; this committee suggested that exports be handled through a licenced exporter; it also stressed the importance of quality, packaging, new products, as pre-requisites for marketing success. Organizationally, the Frionor was a corporation. Its stocks were held by Groundfish producers in Norway. The producers were paid an agreed price at the time of production; no adjustments were made at the end of the year, after the completion of the sale in the U.S. As the Frinor took over the production as soon as it came off the production line, not much inventory financing was required at the processor level. The Frinor spent about 100,000 dollars per year on advertising and promotion in the U.S.; only a quarter of this amount was devoted to brand advertising. The majority (70%) of Frinor sales constituted "bulk sales"; sales at the retail level accounted for about 30%; In recent years, Norway has licensed a second export marketing organization called "the Nordic Group". This group sold in the U.S., mostly, through brokers and on consignment;
- It was mentioned by a few buyers that the demand outlook for blocks in terms of the production and consumption of Fishsticks and portions was quite good. They saw no reason why the prices of blocks should deteriorate in the face of such a good demand situation; it appeared that small changes in the method of selling and marketing from the foriegn exporter level to the U.S. processor level was needed in

order to improve the prices; for example, regulation of supply flowing into the U.S. market was a must; As in the case of wheat, oil, steel, sugar, etc. the Groundfish producers should band together to regulate the supply flowing into the U.S. market;

- Increased Seafood consumption in the U.S. needed a lot of promotion and advertising, marketing research and quality control;
- In the opinion of some brokers the main problem with regard to Canadian groundfish exports to the U.S. was
  - (a) under-financed processors unloading fish into the U.S. market;
  - (b) products of sub-standard quality; and
  - (c) consignment sales through brokers;
- A distinction was drawn between "minced" on (Shredded) cod blocks and regular cod blocks. The former was sold at about 13¢ per lb. in U.S. These blocks were first produced in Iceland. These blocks were used to make fish sticks; it was somewhat difficult to distinguish between fish sticks made out of regular blocks and those made out of minced blocks; At the retail level, minced sticks (9 oz.) sold at around 29¢ per lb;
- A master plan for exporting to the U.S. taking into account the interests of all suppliers of Groundfish should be drawn up;
- Product diversification was a key element in any marketing plan; market studies should precede any new product development;
- Fish and Chips were a fast growing item in the U.S.; the Government in both Canada and the U.S. should assist the industry, in terms of financial support, to expand advertising and promotion for fishery products; A comprehensive programme for promotion should be drawn up by an international Committee consisting of represent-

atives from all major suppliers;

- In the future, the demand for fish blocks was likely to rise as a result of a general campaign to promote fish consumption; while I.Q.F. and layer pack products could be sold in advance in the U.S. market, the traditional cello wrapped fillets had to be kept in storage awaiting sale;
- Because of inter-seller competition on the Atlantic Coast, the same product exported by different exporters obtained different prices in the U.S. market; eg. Cod Blocks 23¢ per lb., 24¢ per lb. 25¢ per lb., and 26¢ per lb.
- Shrink factor in the blocks was still a real problem; the more perfect the blocks were, the better the rate of recovery (yield);
- Canadian exporters should start exploring selling opportunities to multi-unit restaurant chains;
- he determination of a proper price for commodity-groundfish products should not be left to the vagaries of small exporters and particularly consignment brokers;
- It would be useful for Atlantic Coast exporters to set up an Export Council with a marketing director. The director should be in touch with all major buyers as well as wholesale distributors and chain stores in the U.S.; the Export Council should know the grocery trade of the U.S.;
- Atlantic Coast producers should make their products distinctive by improving quality and introducing brands;
- A packer who produced sub-standard products should not be allowed to sell his products in the export market; most of the fish that was used for fish and chips in the U.S. was Icelandic Cod; perhaps a number of Canadian exporters hould join together and explore the feasibility of participating in the U.S. fish and chip business;

- The export Council should finance inventories; it should also employ food technicians to initiate new products; it should enforce strict quality control;
- Sellers should work with retail stores to develop displays and other merchandising aids;
- Atlantic Coast exporters should have more direct contacts with the buyers of chain stores in the U.S.; the chain stores in the U.S. have not so far made any effort to promote fishery products. There was, therefore, good scope for a major promotional work at the chain level;
- It was mentioned by several buyers that the middle states in the U.S. between Denver and Pittsburg had a large potential for fishery products;
- The present marketing system for Groundfish was not fair to the producer and processor; it was ruled by the buyer; therefore, it needed to be revamped;
- It appeared that the marketing skills available within the Canadian and U.S. fishing industry were, relatively, poor; the industry found it increasingly difficult to attract competant young people into it;
- The industry was not adequately consumer oriented;
- Due to the availability of Government subsidies in supplying countries, there has not been enough compulsion on the part of individual processing firms to become efficient;
- Danish processors seemed to pay a relatively higher price to its fish producers than their competitors; yet more able to produce a good quality product;
- Packing a good quality product was only part of the answer; there should be a proper marketing organization to market the products in the U.S.;
- There was need for setting up a Marketing Advisory Board or information centre for the Atlantic Coast; differential pricing by Canadian exporters to different

buyers was not a healthy marketing practice;

- Icelandic products were better priced in the Chicago market than corresponding Canadian packs; eg.

5 lb. cello wrapped Cod fillets	February 1969
Atlantic Coast	33¢ to 34¢
Icelandic	39¢ to 40¢

5 lb. cello wrapped Haddock fillets	
Atlantic Coast	39¢ - 40¢
Icelandic	45¢

Superior quality plus promotion accounted for this price fifferential;

- The Icelandic and Norwegian marketing organizations in the U.S. generally participated in trade shows; their approach was to work as closely as possible with restaurants, institutions and the public;
- There had been an over-expansion of fishing effort in many countries, indiscriminate Government assistance, irrespective of plant efficiencies could be ruinous;
- Market and marketing studies should be carried out on a continuing basis;
- There should be more communication between the packer and the market;