

CHAPTER 18
SEAFOOD (PRAWNS AND SHRIMPS)

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INTRODUCTION

Under NAFTA, tariffs on fish and fish products between the three member countries will be eliminated under the various phase-out categories established under the Agreement. This should encourage enhanced trade between the NAFTA countries.

The Canadian fishing industry comprises over 700 companies engaged in the processing and marketing of wild and farmed fish species and associated by-products. Canada is ranked fifth among the top exporting countries for fish, and is above the world average for consumption of seafood. Demand for seafood products will continue to depend on changing tastes, health considerations, income growth, the price of alternative protein sources, and the marketing skills of the industry. The industry is confined to the species indigenous to the temperate zone.

The middle class in Mexico is growing rapidly, and this may signify a growing market for good quality seafood. Local production covers the majority of domestic demand. The local canning industry is still concentrated in the processing of tuna and sardine; other species, such as shrimp, are mostly imported. Shrimp capture has reached a peak along the Pacific coast, but the Gulf and Caribbean regions still have a growth potential, depending mostly on the availability of resources to repair, modernise and increase the industry's existing fleet. Shrimp production represents 5 % of domestic production in terms of volume, but is a major export product.

US consumers are increasingly receptive to a wider range of seafood products. There are many opportunities in the new and expanded markets of the major US cities if firms can assure a consistent supply. The United States is the world's second largest importer of fish and fish products. Promotional efforts are under way in the United States to increase the per capita consumption of fish in the next five years. The expected increased demand could provide opportunities for aggressive marketers of fish and fish products.

CANADA

Tariffs (%)

<u>Items:</u>	<u>MFN</u>	<u>GPT</u>	<u>US/Mexico</u>
Shrimps and prawns	0	X	0

X - same as MFN tariff

Standards

The control and inspection of fish is regulated under The Fish Inspection Act and The Fish Inspection Regulations, Inspection Services Branch, Department of Fisheries and Oceans.

Importers require an Import License and are required to notify the Department prior to importation of a product or within 48 hours following importation. When an imported product fails to comply with the Fish Inspection Regulations, all subsequent importations of this product from the same producer will be subject to mandatory inspection until four consecutive importations of this product comply.

Fish imported into Canada must not be “unwholesome” (has bacteria of public health significance or substances toxic or aesthetically offensive), “tainted” (rancid or abnormal odour or flavour) or “decomposed” (spoilage).

Only additives and ingredients specified under Marine & Fresh Water Animal Products and the Canadian Food and Drug Regulations may be used in the preparation of fish products. It is the importer’s responsibility to determine which of these are permitted in Canada.

Fish products must not exceed established limits for environmental contaminants such as mercury (0.5 ppm), polychlorinated biphenyls (2 ppm) and DDT and derivatives (5 ppm).

Shrimp cocktail for sale in Canada must be prepared from sound, cooked, peeled shrimp meat and must contain not less than 36.5 % shrimp meat by weight on package.

The importer is encouraged to contact the Inspection Services Branch, Department of Fisheries and Oceans, listed under Section III of this guide, for further details.

Labelling

General labelling requirements include:

- common name of product shown on main panel of label;
- weight designation shown in metric units on main panel;
- descriptive terms, such as “deveined”, “large”, etc., or terms describing special processes mandatory on labels for canned fish products;
- list of all ingredients and their proportion, as well as list of additives mandatory, when applicable;
- name and address of packer or distributor, and country of origin;
- mandatory information in English and French; and
- non-allowance of marking quality designations on any container, wrapper or label for fish, unless specific standards of quality have been defined by the regulations and the fish product is in compliance with this standard.

All importers are recommended to submit formulation and sample labels prior to their initial use in respect of fish shipments to Canada, to the Department of Fisheries and Ocean’s Inspection Office.

The province of Quebec has additional requirements concerning all products marketed therein, which should be obtained from the Office de la Langue Francaise, found under Section III of this guide.

Packaging

All fish imported for consumption in Canada must be packed in new, clean, sound containers. Shipping containers must be clearly stamped to identify the packer and date of packing, as well as the country of origin. For canned fish, the importer must provide a list indicating the establishment and number of containers for each production code, name of establishment, and date of processing. For more information, contact the Department of Fisheries and Oceans.

For pre-packaged products, according to the Consumer Packaging and Labelling Act and Regulations, all packages must be manufactured, constructed, or displayed in such a manner that a consumer may not reasonably be misled with respect to the quality or quantity of the product it contains. Labels on pre-packaged products must show:

- the identity and principal place of business of the person by or for whom the pre-packaged product was manufactured or produced for resale;

- the identity of the pre-packaged product in terms of its common or generic name or in terms of its function;
- such information respecting the nature, quality, age, size, material content, composition, geographic origin, performance, use or method of manufacture or production of the pre-packaged product as may be prescribed.

Questions on the Act may be directed to the Merchandise Standards Division, Industry Canada, found under Section III of this guide.

Marketing and Distribution

Demand for seafood products will continue to depend on changing tastes, health considerations, income growth, the price of alternative protein sources, and the marketing skills of seafood companies. Convenience foods are in great demand in Canada, and companies should be aware of this trend. Also, opportunities for increased penetration of the food protein market have also arisen from public perception of fish as a healthier food than some alternative choices.

The latest available data suggests that the total import market for fish products (including prawns and shrimps) into Canada is US \$585 million.

Distribution channels are similar to those for fruits and vegetables (see Chapter 8). Additionally, there are numerous fish wholesalers and retailers in large urban centres and coastal areas.

Documentation

Goods imported into Canada have mandatory documentation requirements. These are:

- Form B3, Canada Customs Coding (two copies required for an automated Customs office, three if not). It is important to fill in this form properly, especially since it is here where the importer shows the tariff treatment for his goods;
- cargo control document - manifest, waybill or other approved document that must be obtained from carrier or forwarder (two copies);
- commercial invoice, indicating the buyer and seller of the goods, price paid or payable, adequate description, including quantity, of goods contained in the shipment, together with a Canada Custom invoice containing the remaining required data (two copies), or a fully completed Canada Customs invoice, or an invoice containing all data listed by Customs.

Revenue Canada requires that certain goods imported into Canada be clearly labelled as to their country of origin, in English or French; this must be clearly located on the product. If the consumer will ultimately buy the good in a container, then it is acceptable that the container only be marked. Canadian importers are responsible for ensuring that the goods they are importing comply with the marking requirements at the time they import the goods. Please verify with a Canada Customs office concerning your product's marking requirements.

Importers are required to obtain an Import License, issued by the Department of Fisheries and Oceans, prior to importing fish products. It expires on December 31 of the year for which it is issued.

Importers are required to notify the Department of Fisheries and Oceans in writing, prior to importation of a product or within 48 hours following importation, stating the type and quantity, the name of the producer and the country of origin for each product contained within a shipment. There is an inspection services fee for each shipment, other than a shipment of fresh fish or less than 25 kg.

If an imported product fails to comply with the Fish Inspection Regulations, all subsequent importations will be subject to mandatory inspection until four consecutive shipments comply.

Trade Associations

Canadian Federation of Independent Grocers
Don Mills, Ontario Tel. (416) 449-1976
Fax (416) 449-7188

Canadian Restaurant & Foodservice Assoc.
Toronto, Ontario Tel. (416) 923-8416
Fax (416) 923-1450

Fisheries Council of Canada
Ottawa, Ontario Tel. (613) 238-7751
Fax (613) 238-3542

Trade Fairs

Hostex

(food services and accommodation industries)

October

Toronto

Salon Rendez-Vous

(food services/hospitality industries)

February

Montreal

MEXICO

Tariffs (%)

<u>Items:</u>	<u>General</u>	<u>US/Canada</u>
Shrimps and prawns	20	C

C - duties removed in ten equal stages of 10% annually to full elimination by 2003

Standards

Seafood requires a health certificate to be allowed entry into Mexico. These products need a health certificate, a “Certificate of Hygiene and Origin”, which may be issued in the country of origin by the government body which deals with fisheries. However, always confirm whether or not your country’s certification is recognised by the Mexican authorities. All documents have to be in Spanish, or translated into Spanish, or accompanied by a Spanish translation. The certificate must be an original document; no photocopies or faxes are accepted as substitutes.

There are also voluntary standards applicable to this sector, as found in SECOFI’s Catalogue of Official Mexican Standards, Volume II, Classification F. A sampling of the range of standards applicable to this sector include test methods, determination of sediments, net weight determination test methods, additives, and other standards. The exporter is strongly urged to contact the Direccion General de Normas at SECOFI, the relevant Mexican sector association, or a knowledgeable Mexican importer, about the most current standards applicable to his product.

Labelling

According to Mexico’s Ley de Proteccion al Consumidor (consumer protection law), all information contained on a product or its labels, containers and packages must be in Spanish. These labelling requirements will be enforced at the border, meaning that compliance is effectively the responsibility of the exporter. Full original Spanish labelling is to be affixed at the point of origin.

Labels must contain specific information such as:

- name of the product or good (including a product description, if not described in the name of the product or good);

- name or trade name and address of the importer and exporter (this information may be displayed on a separate label and may be added after importation);
- country of origin of the product;
- net contents in accordance with the official Mexican standard;
- warnings or precautions in the case of dangerous products; and
- instructions for use, handling, and/or preservation of the product.

Along with the above generic labelling requirements, additional requirements have been established for food products by the Department of Health (“Secretaria de Salud”). Food labels must include the following:

- product description;
- date of expiration (if applicable) - listed in order of day/month/year;
- list of ingredients;
- lot number;
- special instructions for preservation; and
- nutritional content (if nutritional quality is claimed).

Outside packages or wrappers must contain all of the required information, or must allow for the visibility of inside labels.

Packaging

There are no official packaging requirements for imported products to Mexico. Please check with your Mexican broker or importer for developments in this area.

Marketing and Distribution

The coastal cities consume the greatest proportion of Mexico’s fish production. The largest volume of fish consumed is fresh seafood. There is low possibility of supplying markets located within distance of the largest population centres, since refrigerated trucks and facilities are scarce. Domestic supply is therefore concentrated in the country’s four largest cities: Mexico, Guadalajara, Monterrey, and Puebla. There is usually one large distribution centre in each large city, which controls most of the volume sold. There is an oligopolistic concentration of the wholesale market that also controls most of the retail. Refrigeration chambers, cold nets and the gathering and distribution centres are also concentrated in these cities.

Mexico has about 60,000 restaurants serving 3 million people daily. Moreover, large companies in the Mexico City area offer free or subsidised meals to about 3 million

workers in their cafeterias each day. This represents a significant but price sensitive market.

Many niche market opportunities exist for companies willing to customise their seafood products to suit Mexican tastes.

Documentation

Goods imported into Mexico must be accompanied by standard documentation, as follows:

- commercial invoice (in Spanish, if prepared in English, the Spanish translation may follow original text on invoice or translation may accompany invoice), with the original and several copies;
- packing list (if more than one package shipped), including at least four copies;
- bills of lading, with one original for the importer and one for the customs broker; and
- special certificates (see under Standards, above).

The invoice must be complete and accurate. It must include:

- place and date of issue;
- complete name and addresses of the buyer or importer in Mexico, and the exporter;
- description of merchandise, including marks, numbers, types, and quantities;
- freight and insurance charges;
- price and total value of shipment;
- signature (manual), name, and title of exporter; and
- shipper's invoice number and customer's order number.

The invoice should be sent ahead to the importer/broker/agent, in order to obtain special permits (if necessary) if shipped by sea or land, or it must accompany goods if shipped by air.

The packing list includes:

- number of packages, and detailed list of goods in each package;
- net, gross, and legal weight of each package and total shipment, in metric units, along with volume or measurements of each package and total shipment.

The bill of lading has information such as:

- types of packages in shipment and their weights and measurements;
- names and addresses of the shipper and importer, or customs broker;
- ports of origin and destination;
- description of goods;
- list of charges, including freight;
- number of bills of lading in full set; and
- carrier's official acknowledgement of receipt on board of goods for shipment.

Along with the Certificate of Hygiene and Origin required for importation of seafood, exporters also need a general certificate of origin. The certificate can either be that which is issued to NAFTA countries, WTO countries, or to any other country not encompassed elsewhere. However, the non-NAFTA, non-WTO certificate may mean that the exporter pays a higher rate of duties. This certificate is also issued to those exporters who fail to submit a certificate of origin upon entrance of their product into Mexico. Therefore, if a member of NAFTA or WTO, it is to the exporter's advantage to submit a certificate of origin to Mexican authorities upon arrival.

As mentioned above, all documentation which is submitted with the shipment must be in Spanish, and in original form.

Trade Associations

Camara Nacional de la Industria de la Pesca
(Fishing industry national chamber)
Mexico City Tel. (5) 566-9411
Fax (5) 546-0828

Camara Nacional de la Industria de Restaurantes y Alimentos Condimentados
(Food processors industry of Jalisco chamber)
Mexico City Tel. (5) 604-0418
Fax (5) 604-4086

Trade Fairs

PESCA
June
Veracruz

UNITED STATES

Tariffs (%)

<u>Items:</u>	<u>General</u>	<u>GSP</u>	<u>CBI</u>	<u>Canada/Mexico</u>
Shrimps and prawns	0	0	0	0

Standards

The FDA regulates the importation of foodstuffs into the US. Imported foods are subject to inspection by the FDA at time of entry into the US, which may consist of visual inspection and examination by chemical and microbiological methods.

Seafood must be safe, clean and wholesome, and must be prepared, packed and held at all times under sanitary conditions. Criteria and definitions as to the determination of whether a food meets these sanitary conditions, ranging from buildings, personnel, plant and equipment maintenance, cleanliness, and production and process controls are found in the Regulations, as well as from the FDA.

In addition to these general requirements, there are rules that are product or process specific, or pertain to additives. As an example, shrimp sulphite residues in the range of 60-100 ppm are in accordance with current good manufacturing practice; shrimp exceeding this level will be considered adulterated, and could be destroyed or re-exported, or brought into compliance.

The Regulations also specify acceptable methods of preparation for canned wet pack shrimp, frozen raw breaded shrimp, and frozen raw lightly breaded shrimp.

The FDA intends to mandate the requirement that the seafood industry adopt the Hazard Analysis Critical Control Point (HACCP) system of safety controls, to assure safe processing, packaging, storage, and distribution of fish and fish products. The FDA would evaluate the company's system as part of its mandatory inspection program, by reviewing the monitoring records generated by the firms. The food processor would develop and implement a plan that would:

- identify likely hazards that could affect his products;
- identify controls in the process necessary to keep hazards from occurring;
- identify "critical limits" or operating parameters for each critical control point, such as the proper temperature for a freezer;

- monitor performance of controls; and
- establish record keeping procedures of monitoring as a routine practice.

Labelling

Labelling, according to the US Fair Packaging and Labelling Act, must be “honest and informative”. When packaged, there are five pieces of information required on the food product:

- common or usual name;
- net quantity in the US measurement system (avoirdupois measure, fluid measure - US fluid ounces, pints, quarts, gallons-, or numerical count);
- name and place of business or distributor;
- list of ingredients, in descending order of predominance by weight; and
- country of origin (fresh products do not need to be marked; however, the outermost containers in which these articles ordinarily reach the ultimate purchaser in the United States must be marked in English with the country of origin): this is a requirement of US customs, not the FDA.

In addition, packaged shrimp treated with sulphites must have labelling that declares the presence of these substances as preservatives. Canned wet pack shrimp, frozen raw breaded shrimp, and frozen raw lightly breaded shrimp have specific labelling permitted, for example, the word “prawns” may only appear on the label in parentheses immediately after the word “shrimp” if the shrimp are large or extra large size (size designations found in Regulations). Please consult the Regulations or the FDA for more information.

Location, size, and spacing of lettering are important for products marketed in the retail market; information may be obtained from the FDA.

There may also be state or local rules that may affect the product or packaging; please check with Department of Agriculture authorities in relevant states, or your country’s local representative therein, for details.

It is recommended that the importer obtain an informal comment on its product’s conformity to labelling requirements from the FDA. If goods are found in violation of the law, the products may be detained or destroyed.

Most major retail grocers require that products have a Universal Product Code (UPC) symbol. It is therefore recommended that manufacturers obtain UPC numbers for their company and products before exporting to the US. Contact the Uniform Code Council, under Section III of this guide, for more details.

Packaging

According to the US Fair Packaging and Labelling Act, food must be prepared, packaged and held under sanitary conditions. The food itself must be safe, clean and wholesome.

Canned wet pack shrimp must be packaged in accordance with FDA Regulations, which mean that the shrimp must be:

- prepared in sufficient water or other medium to fill the interstices; the cut-out weight of shrimp taken from each container is not less than 60 % of the weight of the water required to fill the container;
- free of heads, and to the extent practicable, free of shells, legs, and antennae;
- packed with optional ingredients (when applicable) as listed in the Regulations.

An important function of packaging is to pack the product in a way to enable US Customs to examine, weigh, measure, and release the goods promptly. Therefore, show the exact quantity of each item of goods in each box or other package, put marks and numbers on each package, and show those marks on your invoice opposite the itemisation of goods contained in the corresponding package.

Marketing and Distribution

The size of the import market into the United States for prawns and shrimps is approximately US \$2 billion.

There are opportunities in the new and expanded seafood markets of the major US cities if firms can assure a consistent supply. Small and medium sized firms may be able to take advantage of markets in cities that offer “city niche” customers or ethnic markets. Sales may expand at the level of the individual supermarket chains through speciality seafood counters.

Direct sales at the wholesale level by food service outlets and by retail outlets were valued at over \$20 million in 1992.

Domestic promotional efforts to increase consumption are expected to increase demand in the next five years. However, consumers are still sensitive to the higher cost of seafood when compared with other animal protein such as chicken.

The food distribution system is not concentrated: regional grocery operations still account for a significant percentage of sales in regional markets. Wholesale retail clubs are gaining power. The seafood sector is often serviced by speciality distributors, performing both the functions of the broker and the wholesaler or distributor. With the exception of the

larger national chains that have their own warehouse and distribution systems, retail grocers buy from privately or co-operatively owned warehouses or distributors.

The retail grocery system is the largest market and the most difficult to penetrate. As a potentially costly expense, most chain supermarkets charge a fee for a product to receive shelf space (“slotting allowances”), which may range from \$2 to \$30,000 per stock keeping unit, as well as charging for advertising and promotion. Smaller chains (10 stores or less) and single store independent retailers may not apply these costs. The foodservice sector also uses food brokers, who supply foodservice distributors, in turn delivering to the individual foodservice establishments. It is also possible for larger foodservice distributors to be supplied directly by the manufacturer. This sector does not require slotting allowances, advertising allowances, or brand identity. However, they demand consistent quality, and pricing is the most important competitive factor.

Documentation

Within five working days of the date of arrival of a shipment at a US port of entry, entry documents must be filed, which consist of:

- a commercial invoice, or pro forma invoice when the commercial invoice cannot be produced;
- packing lists, if appropriate;
- evidence of right to make entry (bill of lading, air waybill, shipping receipt, carrier’s certificate); and
- Entry Manifest, Customs Form 7533, or Application and Special Permit for Immediate Delivery, Customs Form 3461, or other form of merchandise release required by the district director.

As stated above, containers of fish products must be marked with country of origin.

The FDA is notified of an entry of a regulated food through:

- an Importer’s Entry Notice (FDA Form FD 700 set) or Land Port Entry Notice (FDA Form FD 701);
- a US Customs Form 7501 “Summary Sheet for Consumption Entry”;
- a copy of the commercial invoice; and
- surety to cover potential duties, taxes and penalties.

In order to speed up the import process, the processor may wish to have a private laboratory examine samples of foods to be imported and certify the analysis of the

processor, to show that the results are within the guidelines for levels of contaminants and defects in food for human use.

Trade Associations

American Seafood Distributors Association
Rosslyn, Virginia Tel. (703) 524-8880
Fax (703) 524-4619

American Shrimp Processors Association
New Orleans Tel. (504) 368-1571

Association of Seafood Importers
Port Washington, New York Tel. (516) 621-5900
Fax (516) 621-8318

National Food Distributors' Association
Chicago Tel. (312) 644-6610
Fax (312) 321-6869

National Shrimp Processors Association
Atlanta Tel. (404) 577-5100
Fax (404) 527-4790

Trade Fairs

International Boston Seafood Show
March
Boston

SOURCES OF INFORMATION ON THIS SECTOR

“Canadian Exporters’ Handbook on Doing Business in the US Food and Seafood Market”, Department of Foreign Affairs and International Trade, 1992.

“Encyclopaedia of Associations: National Organisations of the US, Vols. I & II”, Gale Research Inc. (Washington), 1994.

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“Industry Profile: Seafood and Marine Products - Overview”, Industry Canada, 1991.

“Market Study on the Mexican Market and Distribution System for Fish and Fish Products”, Department of Foreign Affairs and International Trade, 1991.

“MEXICO Business, The Portable Encyclopaedia for Doing Business with Mexico”, World Trade Press (San Rafael, California), 1994.

“NAFTA and the Fish and Fish Products Sector”, Industry Canada, 1994.

“1995 Tradeshow Week Data Book”, Tradeshow Week: New Jersey, 1994.