

Seafood



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Eco-buying ups the ante

By Lisa Duchene

Seas full of healthy fish stocks, combined with a worldwide network of farms, promise abundant, long-term supply for the U.S. seafood market. Sounds simple, doesn't it?

But if you are a seafood buyer considering whether your purchases fit into the realm of sustainable seafood, the picture is not so clear cut. There is no guidebook or road map to choosing sustainable seafood. A marine science degree helps, but no school can teach buyers how to balance environmental responsibility with other important purchasing factors like price, quality, weather, global currency and trade regulations.

Buyers who are incorporating sustainability into their purchasing criteria are charting complex waters. This *SeaFood Business* special feature examines how some seafood companies are putting sustainable purchasing into practice. An overview of the market for eco-friendly seafood focuses on its origin in niche markets and how it is fueling mainstream demand today.

We also include profiles of the Marine Stewardship Council, which is trying to drive market demand for eco-labeled seafood, and Ahold USA's EcoSound purchasing program for its 1,600 stores. Another looks at the role seafood buying lists have taken in the market.

For buyers wondering why they should consider something so overwhelmingly complex, pioneers in sustainable seafood have this to offer: Knowing you'll have product to sell tomorrow makes good business sense today.

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HEALTH

FDA approves health claim for omega-3s

Seafood restaurants, retailers and suppliers can now say that the products they sell contain omega-3 fatty acids that reduce the risk of coronary heart disease. The Food and Drug Administration on Sept. 8 approved the use of a qualified omega-3 health claim.

Previously, labels could say a seafood product was rich in omega-3s, but they could not expound on the health benefits of omega-3s.

As long as the product contains eicosapentaenoic acid (EPA) and docosahexaenoic (DHA) omega-3 fatty acids — types of omega-3s contained in salmon,

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INDUSTRY SURVEY

Retail sales strong despite challenges

Seafood retailers are jumping more hurdles than ever to get their products into the consumer's shopping cart. Increased competition from big-box retailers like Wal-Mart and negative media attention about farmed salmon are two challenges that have gained importance among seafood retailers, according to the results of *SeaFood Business'* biennial retail survey.

Despite the hurdles the past year was a good one for retailers, who report their sales are up from 2003 and their margins are holding steady.

For complete survey results, see page 50.

Species

FOCUS

Surimi seafood

While some suppliers try to breathe new life into a stale market with high-end new products, an influx of low-grade surimi seafood may be alienating consumers from the overall category. **Page 60**



Buyers navigate sustainable seafood

New corporate ethics help drive the market for a responsible supply

Ahold USA, owned by the world's second-largest food retailer, has worked on sourcing sustainable seafood for five years. Darden Restaurants, the world's largest casual-dining restaurant company, is two years into a sustainable-seafood-purchasing effort. Sysco, the nation's largest distributor, is starting to do the same for its branded seafood line.

Market demand for sustainable, or environmentally responsible, fish is crossing over from a niche to the mainstream — and from a political movement to a corporate ethic — as the nation's biggest buyers, representing billions of dollars in purchasing power, define "sustainable seafood" for the mass market.

Their commitment is a key step in ensuring the global seafood supply is environmentally sustainable.

But, say Darden, Sysco and Ahold, guaranteeing that their companies have seafood to sell in the future to meet growing consumer demand is what drives their commitment. They are not on a mission to save the world's oceans from collapse, the mantra common to the high-end chefs and other niche buyers who work directly with marine conservation groups.

"As we're becoming more of an impact in the seafood category, it behooves us to make sure we are acting appropriately," says John Pollock, director of seafood merchandising for Sysco Corp. in Houston, the biggest U.S. broadliner and seafood distributor, with more than \$1.3 billion in annual seafood sales. "We need to know we are ensuring generations of supply for Sysco and its customers. How am I supposed to grow my business if the supply isn't there?"

George Williams, senior VP of government and environment affairs for Darden Restaurants, which buys seafood for 1,300 restaurants, including the Red Lobster and Olive Garden chains, says, "If we do not use those resources in such a way that they are going to

be here for our children and our grandchildren, we're not serving our shareholders and other stakeholders well, and we're not serving the broader world community well."

Another driver of corporate sustainable-seafood purchasing is concern over whether a public-image problem could threaten seafood's share in the important foodservice market.

A Darden analysis found the number of negative news stories about seafood increased 78 percent, from 450 to 801, between 2000 and 2003.

Darden also analyzed restaurant-market data collected by the NPD Group and Crest measuring the percentage of restaurant diners who order an entrée containing seafood, poultry, beef or pork.

In the several years since Crest began tracking the data, restaurant diners most frequently ordered seafood entrées — up until the quarter from December 2003 to February 2004. This snapshot of data may suggest that bad press about seafood has an impact on consumer purchasing, says Williams.

"With these negative seafood messages out there, does that suggest we ought to be even more sensitive to [sustainability]?" asks Williams. "Absolutely."

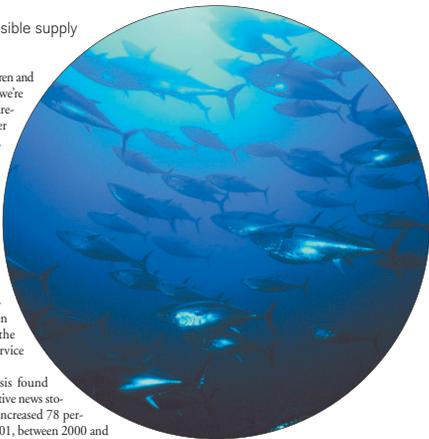
One word, different views

Many negative seafood messages in the mainstream media over the last few years can be traced back to groups funded by The Pew Charitable Trusts in Philadelphia or the David and Lucile Packard Foundation in Los Altos, Calif. (See "Top Story, *SFB* March 2004.) The two foundations spend about \$30 million annually on efforts to transform fishing and aquaculture into their vision of environmentally sustainable industries.

The foundations fund marine-conservation groups that use strategies such as research, public relations, litigation, consumer boycotts and lobbying to advance their view that most of the seafood purchased and consumed in the United States is not ecologically sustainable and that fishing and aquaculture must change dramatically to become sustainable.

Many seafood suppliers and the National Fisheries Institute hold the opposite view. They contend that most of the seafood bought globally for the U.S. market is already harvested sustainably and note that the industry is working with government to address problems for the portion that is not.

No wonder seafood buyers are confused about



Ensuring future abundance is what pushes major buyers toward sustainable-seafood purchasing.

what sustainable means and how to translate it into purchasing decisions.

Two organizations committed to sustainable seafood can have opposite opinions. The Monterey Bay Aquarium, for example, tells consumers and chefs to avoid buying farmed salmon, while the New England Aquarium, which advises Ahold USA on its EcoSound sustainable-seafood-purchasing effort, has given its blessing to the Chilean salmon farm supplying Ahold's stores.

Jack Gridley, director of meat and seafood at Dorothy Lane Markets in Dayton, Ohio, says there is an overwhelming amount of conflicting information about how to buy sustainably.

"I would love to be able to make a statement and say, 'We're not going to carry [questionable] species,' but then whose information do you use to make that decision?" he asks.

A third-party assurance or certification could take some guesswork out of the equation, says Gridley (see sidebar on page 40). He purchases Special Harvest seafood, marketed as environmentally responsible, from M.F. Foley, a Boston distributor.

In essence, "sustainability" is a simple concept: Seafood farmed or captured in a way that promotes the long-term health of the resource and its ecosystem; in other words, take no more than what the natural system can replenish.

"Sustainability is common sense," says Dr. Barry Costa-Pierce, a professor of fisheries and director of the Sea Grant program at the University of Rhode Island in Kingston, R.I. "Anybody who has children can understand that you're basically cultivating the next generation."

The large companies translating the sustainability ethic into criteria to guide their seafood purchases

sustainability

(sə-stān-ə-bil'i-tē) n.

Many definitions of sustainability swirl about the seafood marketplace. Several people interviewed for this feature provided their definition of ecological sustainability. Here are a few:

- 1: Use of a natural resource that meets the world's present needs without compromising its ability to meet the needs of future generations;
- 2: Rate of use that does not exceed rates of re-generation;
- 3: Harvest conducted with respect for long-term consequences of our current actions;
- 4: Harvest activity that maintains an ecosystem's ability to produce as much fish as possible in the future.

Photo courtesy of NOAA

know their task is immensely complex.

"To actually do something about [sustainability] is very, very difficult. It takes work and commitment, and it takes time," says Craig Appleyard, former project manager of Ahold USA's sustainable-seafood program. (See profile, page 28.) Ahold is fully committed to the program despite Appleyard's early-October departure to join Tropical Aquaculture in Rutland, Vt.

Applying sustainable principles to every product Darden purchases is "a huge, huge challenge," says Williams.

A growing number of seafood buyers — whether at high-end restaurants or casual-dining chains, gourmet shops or grocery chains — are grappling with how to define and then source environmentally responsible seafood and what to tell their customers.

Those buyers, including Darden, Sysco and Ahold, all share the desire to purchase seafood harvested or farmed in ways more environmentally responsible than U.S. or international laws require. But some consider themselves part of a sustainable-seafood political movement to save the world's oceans.

Movement meets market

Members of the conservation community refer to all the marketplace activity around environmentally responsible seafood as the "sustainable-seafood movement" or the "seafood choices movement." The Seafood Choices Alliance, for example, urges wholesale seafood buyers to select fish species defined by conservationists as eco-friendly.

One of the architects of the sustainable-seafood movement is Mike Sutton, who spent five years as officer of the Packard Foundation's conservation and science program before becoming director of the Center for the Future of the Oceans at Monterey Bay Aquarium in July.

Sutton worked on marine conservation in the late 1990s for the World Wildlife Fund, where he realized that lawsuits and policy work alone would not save the oceans. This conclusion led to WWF's instrumental role in the creation of the Marine Stewardship Council. (See profile at right.)

"We began to look for other ways to promote conservation, and one of those ways is to work with the market [demand]. The seafood market is at best benign and at worst promoting unsustainable use of

MSC faces a turning point

Credibility is key to the council's survival

The Marine Stewardship Council is poised to offer U.S. seafood buyers an array of wild species independently certified as environmentally sustainable.

But first this partnership of environmentalists and industry must clear the hurdles of the Alaska pollock fishery, its most controversial certification in the council's seven-year history.

In venting for four years, certification of Alaska pollock represents both the first MSC-approved commodity and the struggle the London-based organization faces to cement its credibility with industry and the

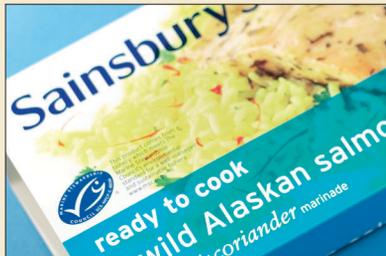
in this program, and we're going to accept the recommendation of the certifier and stop playing politics by it."

Jim Humphreys, MSC's U.S. director in Seattle, acknowledges the pollock certification has taken too long and says the MSC is learning from its experience.

"We sit in the middle between the fishing industry and the environmental community, and that's our place," says Humphreys. "And sometimes that's a place of extreme controversy."

The pollock battle came to a head just months after two studies faulted MSC for its lack of credibility with the conservation groups, which is important to the organization's viability because of the influence conservationists wield with consumers.

The Pew Charitable Trusts and Packard Foundation, the two largest funders of marine environmental groups, financed the



European consumers have been more receptive to the MSC eco-label than Americans.

conservation community.

MSC-approved certifiers judge the health of a fishery and its ecosystem, its management system and compliance with all relevant laws. Once a fishery is certified, suppliers who want to use an eco-label must receive chain-of-custody approval to ensure the product is traceable and never mixes with non-certified fish.

In June, Scientific Certification Systems, an independent certifier in Emeryville, Calif., gave Bering Sea and Gulf of Alaska pollock the green light. In July, Alaska Oceans Network, Greenpeace and Oceana began a formal appeals process.

The environmental groups' chief concern is that the fishery competes with endangered Stellar sea lions for food and takes too much fish out of the ecosystem.

The delays frustrate the pollock industry. "We just ended up getting into a program that never ends," says Jim Gilmore, director of public affairs for the At-Sea Processors Association. The process has taken twice as long and cost twice as much — \$500,000 — as the APA expected.

"MSC appears to be intent on dragging it out for another year because they want to pander to the environmental community and show process after process," says Gilmore. "At some point, they need to say, 'We believe

studies. Packard funded a report from the Bridgespan Group, a Boston firm. Pew, along with the Homelands Foundation and Oak Foundation, funded the "Wildhovens" report, which delivered the sharpest blows.

Critics included inconsistencies in fishery assessments and MSC's description of certified fisheries as "sustainable" when certification actually just sanctions best practices and pushes for continuous improvement toward a long-term goal of sustainability.

The Wildhovens report also charged that MSC has certified fisheries that don't comply with marine laws.

"In the short term, MSC's viability is threatened by an internal weakness: lack of credibility from the conservation community, a key segment of MSC's stakeholder base," says the Wildhovens report. "MSC's board should recognize that MSC faces a challenge to restore its credibility in the next 18 months to prevent the organization's failure."

The MSC board said it was already working on many of 45 suggestions in the Wildhovens report.

Both reports acknowledged that the MSC had made progress in becoming a tool for improving fisheries management, the goal of its co-founders.

In 1997, unlikely bedfellows World Wildlife Fund and Unilever, one of the world's largest whitetail suppliers, each spent \$500,000 to launch the MSC. Their vision was to create

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Quality, value and price are criteria buyers weigh in addition to sustainability.

Photo by Craig Werner

ocean resources. We wanted to turn that on its head, so that the market itself provided incentives to do things right," says Sutton.

"If consumers get fired up, they can have an enormous effect on the production of food commodities."

This theory was first tested when the dolphin-safe label emerged on canned tuna in 1990, says Sutton. In late 1997, SeaWeb took it to the wholesale level by launching its Give Swordfish a Break boycott targeting white-tablecloth chefs.

Conservationists say the boycott turned depleted swordfish stocks around and scored a victory,