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HERRING AND HERRING ROE IN THE JAPANESE MARKET

BY

ROGER RICHARDSEN

(Sild og Silderogn i det Japanske Marked)

Report Number A-47

Institute of Fishery Technology Research
Tromso, Norway

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ABSTRACT

In the span of a few years Japan has become one of the most important markets for the Norwegian food herring industry. Exports of round frozen herring have in the past three years been in the range of 18 - 20,000 tonnes. The report gives a description of the background for these developments. An outline of the quantitative and qualitative aspects of the herring and herring roe markets in Japan is also given. Various market segments are described with special emphasis on the Norwegian position and potential developments.

Finally, strong and weak aspects of Norwegian exports are discussed in view of the competitive situation in the market.

3 Key Words

HERRING

MARKET

JAPAN

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PREFACE

The Institute of Fishery Technology Research (FTFI) (Fiskeriteknologisk Forskningsinstitutt) has for the past three years received economic support from the Norwegian Fisheries Research Council (NFFR) (Norges Fiskeriforskningsråd) for a research and development (R & D) program called " Industrial processing of herring for human consumption".

The individual projects of the program were gradually concentrated on the marketing opportunities seen for Norwegian herring in the Japanese market. In addition, a considerable effort has also been expended on evaluating opportunities for sales of the "byproducts" roe and milt.Since there is a large consumption of herring roe in Japan, that country therefore also became the main target for this marketing activity.

This report is therefore a summary based on the work being carried out so far.In addition, the author has had support from the NFFR travel scholarship program for further studies of the Japanese market. A two week trip to Japan was carried out in September 1986. A separate trip report from this visit was prepared (FTFI- note, January 1987) and is available, but the following report will give a fuller and broader coverage of Japan as a market for herring and herring roe.

SUMMARY

Imports of fish products to Japan have had a rapid growth in the past years and are expected to increase further from the present level of 2.1 million tonnes. Norway here has a relatively modest position. Norwegian exports in 1986 only represented 1.1 percent of total seafood imports to the country.

Exports of frozen herring from Norway to Japan were, however, a success from the start in 1982, but have now levelled off slightly under 20,000 tonnes a year. Norway has a domineering position in the food herring sector, and the main reason for that is the size of Norwegian spring spawning herring relative to herring from other producing countries in addition to high quality of the products.

Norwegian producers still have the best opportunities for exports of food herring, especially for herring larger than 300 grams (7 kg layer pack). In addition, the fact that herring with roe are preferred also in the food herring market should be exploited. Deliveries of sex sorted herring could have a considerable influence on both prices and the competitive advantage for Norwegian processors. Herring frozen at sea (jumble pack) that are mostly used for further processing (dried herring), will meet considerable price resistance in the near future. Large herring in 7 kg packs directly for consumption have experienced falling prices through 1987. On an average the prices out of the market have dropped about 30 percent. The main

reason is a considerable increase in the import quotas (total quotas 1987/88: 100,000 tonnes) and large offerings of herring from a number of countries. The import quotas are no longer a limiting factor relative to market demand.

Norway has so far few opportunities to compete with the USA and Canada for the highest price herring roe markets, i.e. salted herring roe/kazunoko. This market prefers roe from Pacific herring and the quantities that can be supplied from Alaska and British Columbia are sufficient to meet market demands.

However, Norwegian processors could compete both in quantity and price in the supply of frozen herring roe which is now chiefly supplied from the Canadian East Coast. Imports of frozen roe have shown a sharp increase in recent years. The lower prices for the products have opened up new markets and the products are now to a greater extent being consumed throughout the whole year. In contrast, the high priced products from Pacific herring are exclusively consumed in the gift season around the new year.

The production of "loose herring roe" similar to the capelin roe production is a possible product on the Japanese market. No other country could immediately offer the same product. This depends on the stock of Norwegian herring reaching a level so that herring of the correct roe quality can be harvested, i.e. mature roe.

The barriers for anyone actively entering the Japanese market are high. Marketing dynamics, competitive intensity and

quality consciousness are the most outstanding characteristics of this market. The price sensitivity is relatively low, however. Institutional barriers are also not particularly prominent.

Norwegian exports are characterized by a limited number of products. To actively enter the market with new, processed products will require better knowledge of possible access to rational distribution channels and alliance with middlemen closer to the consumers than what is available today.

1. INTRODUCTION

Numerous articles and books have been written in the past decade about the "Japanese Miracle". Special attention has been paid to the Japanese industrial growth since the second world war and associated this with the organizational- and leader philosophy of Japanese businesses. The fact that Japan today is considered to be the second largest industrial power in the world and has achieved a considerable trade dominance in a number of western countries, means that industries in these countries long have been "Looking to Japan" to keep up to date with industrial developments.

To attempt to explain the Japanese miracle is outside the scope of this report, but it can briefly be established that the successful Japanese model consists of the well known environmental factors :social, cultural, governmental, industrial, competitive and not the least, organizational. That the Japanese miracle also has a price has not been brought out too often, but this has become more and more obvious. 1)

Japan is not only automotive and high technology industries. The country is among the largest in the world in catching and processing fish and fish products. This has led more and more people in the Norwegian fishing industry to look at opportunities for cooperation in this area, and in recent years-

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1) "Japan, The Price of Success". Business Week, March 24, 1986.

the tours of people from the Norwegian fishing industry have become more and more frequent. That Japan has something to teach us is undeniable. With a consumption of fish (or more correctly seafoods) that is about the double of the Norwegian per capita consumption, this fact should give rise to reflection. A stay in Japan therefore gives a number of impulses and new impressions of how fish and seafoods can have a central position in the diet. It also gives impulses on how Norwegian products could be adapted to the specific marketing requirements in the Japanese market. The latter is not the least important since Japan not only far away geographically, but is also distant with respect to the attitudes towards some traditional markets that the Norwegian fishing industry have.

2. GENERAL ON JAPAN

Nippon ("the Rising Sun"), as the Japanese call their country, has an area in square kilometres about the same as Norway with a population of about 120 million. The country consists of a total of 3000 islands, but the four large islands: Honshu, Hokkaido, Kyushu and Shikoku cover as much as 96.8% of the land area.

About 70% of the population live in urban areas, and the population density in Tokyo and Osaka ,for example, is as high as 15,000 per square kilometres. Population growth is a little over 1% per year, and it is estimated that the population

will be 135 million in the year 2000. The Japanese have a high standard of living. Gross national product is about the same as in Norway. According to a study by OECD, the distribution of income is one of the most even in the world, after Sweden, Norway and Australia.

2.1 Consumption of marine products.

The extent and variation of seafood consumption in Japan cannot be found anywhere else in the world. This has long cultural traditions where rice, vegetables and soybean products together with marine products have been the staples of the diet. And since the Japanese retain most of their old cultural traditions, fish and fish products still have a dominating place in the diet, (even if there are tendencies towards a change in the consumption pattern and strong competition from meat products).

The high living standard and increased disposable income has lead to a considerable increase in the consumption of fish, both in total and per capita. For example, the per capita consumption of marine products increased from 30 kg from the beginning of the 1950's to 71.8 kg (round weight) in 1985. (Olsen,1987). No other countries can show a corresponding increase.

The consumption of herring is, however, not particularly high, under 0.5 kg per capita. The consumption of herring is not evenly distributed geographically as most is

consumed in areas where herring was locally available, i.e. northern Japan and especially Hokkaido. The consumption of roe has a much wider geographical basis. For comparison, West Germany has a per capita consumption of about 5 kg herring which comprises 38% of the total seafood consumption in the country.

2.2 Japanese imports of fish products.

In addition to being one of the worlds largest catching nations (11.8 million tonnes in 1984), Japan is also one of the worlds largest importers of fishery products. Japan was earlier both a large consumer and a large exporter of fish . In 1971 Japan became a net importer by value and in 1975 by volume. Since then the import surplus has been increasing steadily.

Imports increased especially towards the end of the 1970's when USA implemented the 200 mile zone. Japanese importers nearly panicked and speculated in products in short supply without consideration for the consumer. The consumption of fish declined in this period due to high prices and the Japanese industry did not take this seriously before there was a collapse in salmon and herring roe markets (Aoyagi, 1983).

As can be seen from Figure 1, Japan has a sizeable import surplus in fish products. This is in sharp contrast to the total foreign trade for the country. This is of course especially noticeable due to the high per capita consumption and the fact that Japan lost large traditional fishing areas after the new Law of the Sea was implemented.

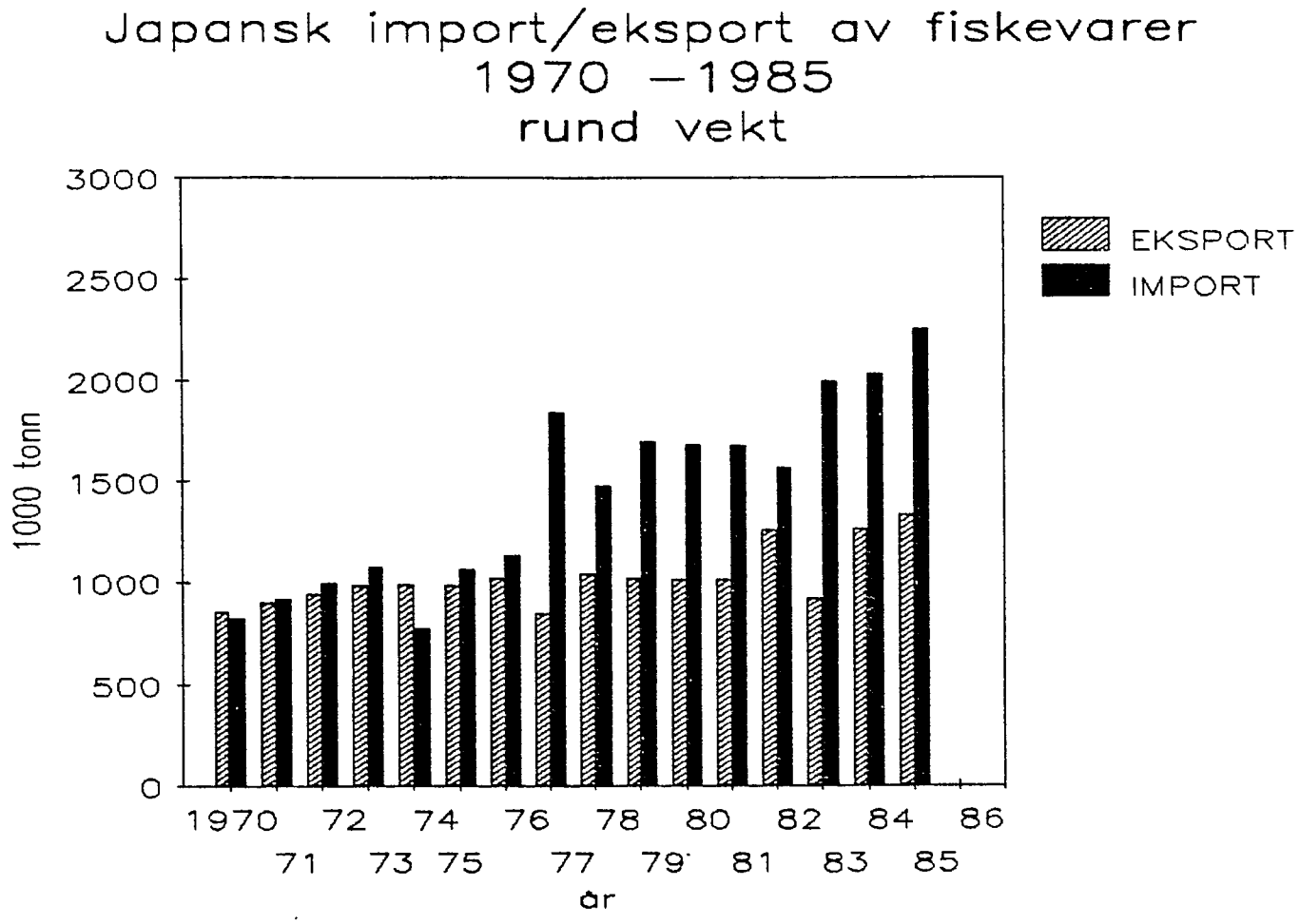


Figure 1. Japanese imports and exports of fishery products 1970 - 1985 round weight.

Three countries are the main trading partners for fish and fish products with Japan. These are the USA, South Korea and Taiwan. The exports of these three countries comprised ca. 46% of total imports to Japan in 1985. Norway was in 1985 the 14th.

largest exporter and had a 1.54% share of total imports. In 1986 Norway had dropped back to 16th place with a relative share of 1.1%.

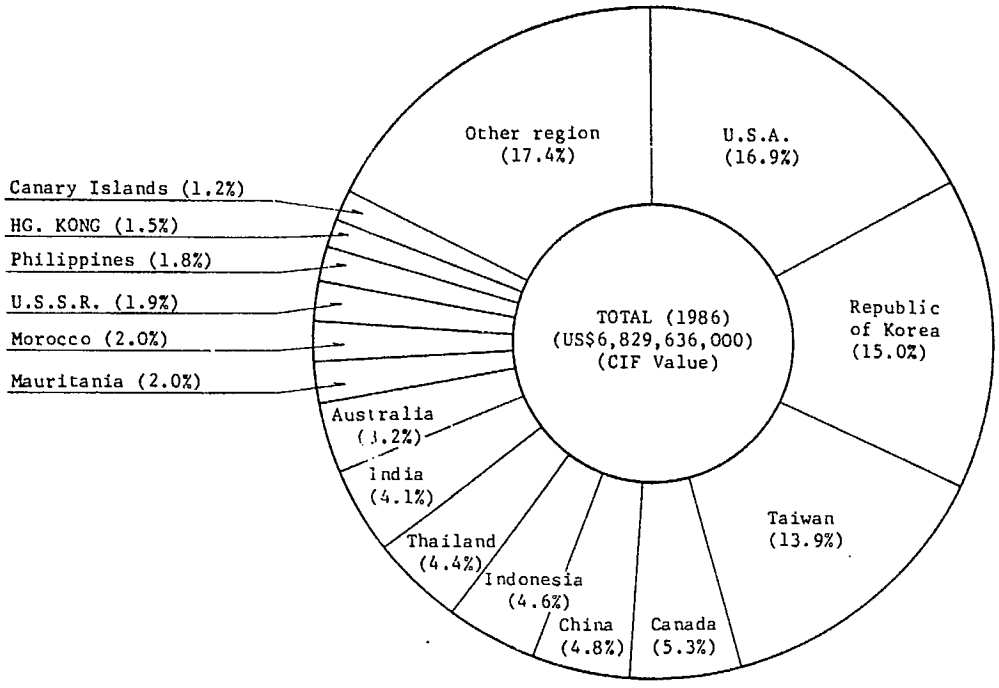


Figure 2. Percentage distribution of the 15 most important countries exporting fish and fish products to Japan

Source: Japanese Imports of Marine Products, 1986. Japanese Marine Product Importers Association.

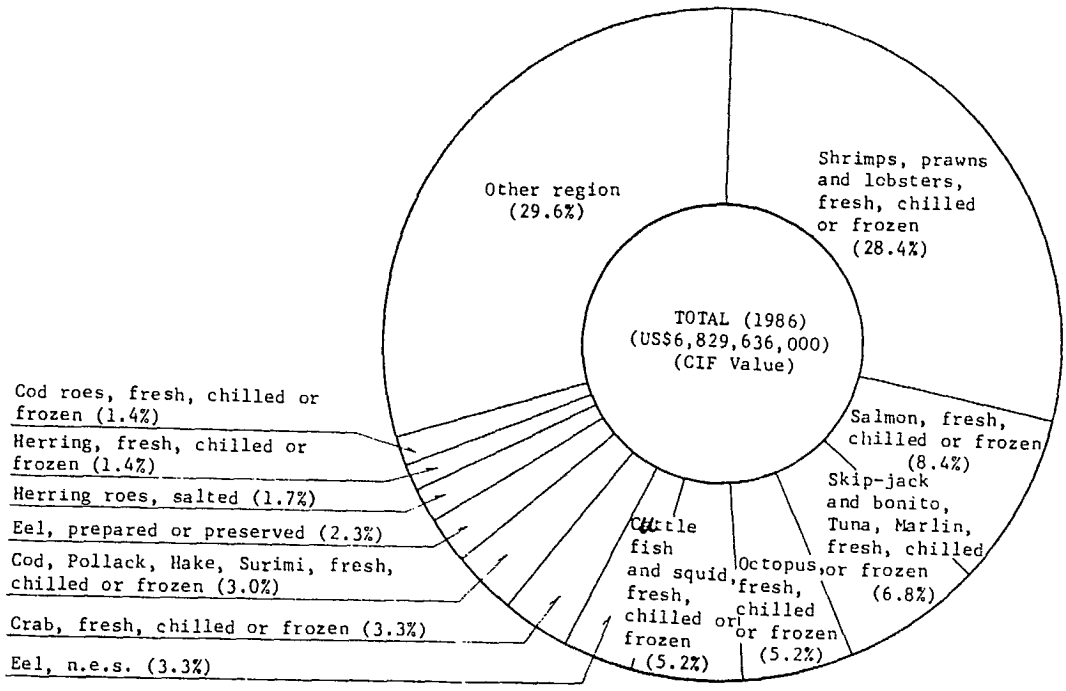


Figure 3. Percentage distribution of the 10 most imported fish species by value.

Source: Japanese Imports of Marine Products, 1986. Japanese Marine Products Importers Association.

In spite of a relatively modest position on the Japanese market, developments up to now have definitely been positive.Norway's share of the market has increased from 0.75% in 1979, to 1.20% in 1982 and to 1.5% in 1984. However, in 1986 the share dropped to 1.1% which was to a high degree due to the decline in the capelin and capelin roe exports. The objective for the newly established "Project Japan" is that Norway shall supply 3% of Japanese imports by 1990. The objective is ambitious, but not impossible on the background of the positive increase there

has been in the exports of herring and mackerel. Salmon can also become a large Norwegian export article to Japan when the price comes down somewhat from current levels.

The developments over the past few years in the exports of herring have been of special importance for the improved Norwegian position in the market. This should be made clear in the next table that shows herring exports relative to total fish exports to Japan.

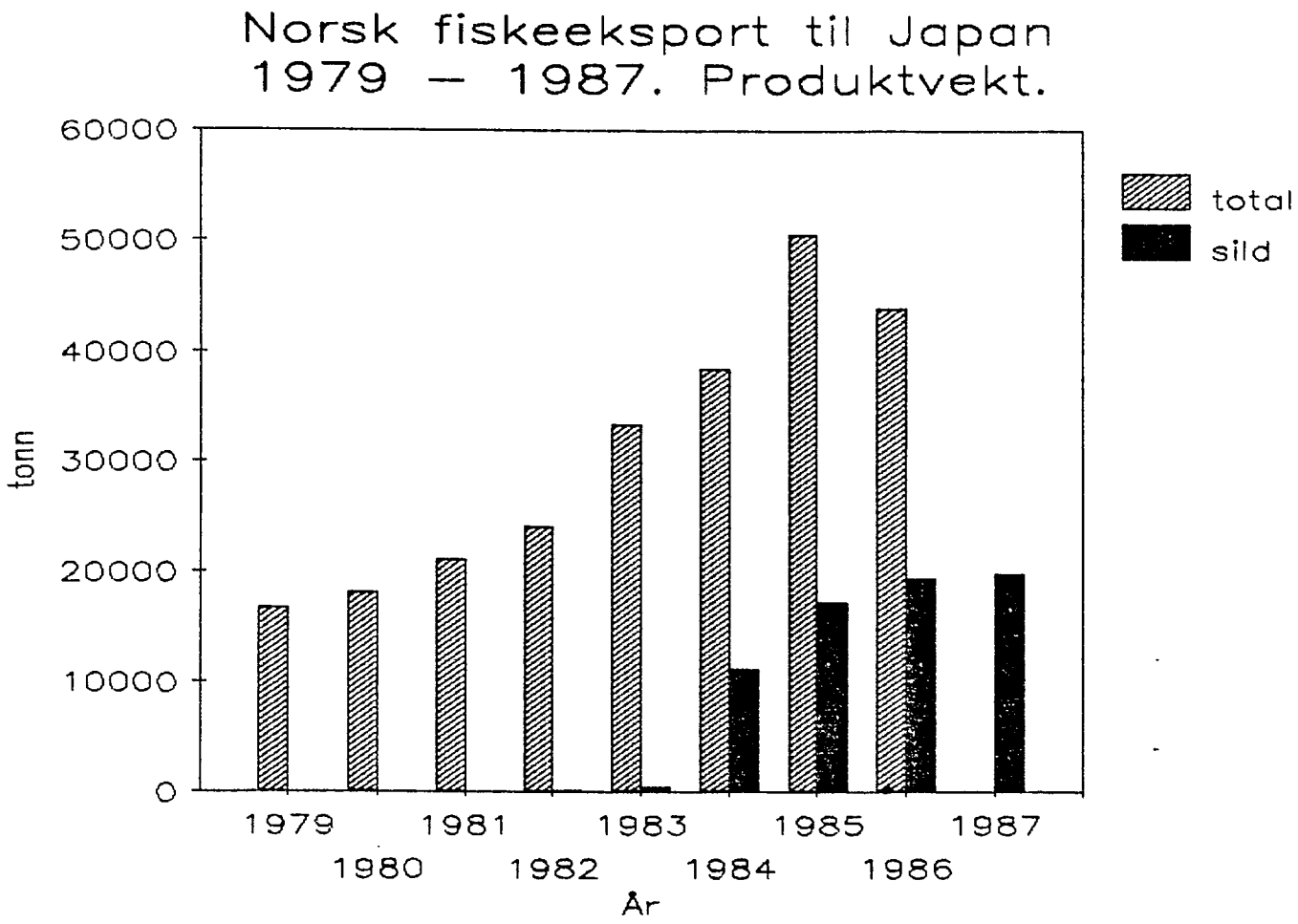


Figure 4. Norwegian fish exports to Japan 1979-1985.

3. IMPORTS AND CONSUMPTION OF HERRING PRODUCTS

3.1 Own landings.

Similar to Norway, Japan has experienced a total failure of the supply of raw material. In the beginning of this century herring landings were in the order of 670,000 tonnes, and by the 1950's they had dropped to about 150,000 tonnes. A minimum was reached in 1978 with only 7000 tonnes.

The reduction in catches had two main reasons. As in the Norwegian Sea and the North Sea, extensive overfishing was carried out on local herring stocks around Hokkaido with resulting decimation of stocks. Japan was in addition excluded from the Sea of Otkosk that belonged to the Soviet Union according to the new Law of the Sea.

Table 1. Developments in Japanese landings of herring 1970-1986 Tonnes.

Year	Quantity	Year	Quantity
ÅR	KVANTUM	ÅR	KVANTUM
1970	97.374	1980	11.154
1971	100.483	1981	8.901
1972	62.198	1982	24.197
1973	82.658	1983	8.357
1974	76.273	1984	6.760
1975	66.617	1985	9.193
1976	66.083	1986	73.000
1977	19.873	1987	
1978	6.706		
1979	6.819		

From the statistics it appears as if Japanese landings are on their way up again. This is correct to a certain extent, but there are various opinions as to how much this will mean for the total import requirements for the country. Researchers in Japan are definitely working on increasing the stocks again. There is one report (Kravanja, 1986) indicating that Japanese biologists in 1982 were successful in hatching 180,000 eggs and that 84,000 juveniles survived and were released in coastal waters. This experiment was repeated in 1983 when 250,000 eggs were hatched and 200,000 juveniles released in the sea near Akesshi, Hokkaido. The effect of these experiments is not known, but on Hokkaido there were expectations that spawning herring should be caught in 1988. In view of the Japanese market for food herring, it has been a problem that the herring that have been caught were immatures without roe and not of the size preferred in the market (Compare Norwegian exports of large herring to Japan).

Another problem brought out by the processors on Hokkaido (personal communication with wholesaler in Sapporo Wholesale Market) is that the Japanese herring has been at such low levels for many years that there are no fishermen to catch the herring if large quantities should become available for the food market. Even today considerable quantities of herring are used for reduction to meal and oil in Japan, chiefly due to small size. Some are being marketed on the auction in Sapporo, so it is possible that Japan again will achieve a higher degree of self

sufficiency of herring. In our opinion this will not affect the Norwegian export of large herring to any extent. If stocks again reach a level where catches will include spawning herring, the imports of roe from USA and Canada should first be affected.

3.2 Imports of herring.

Between 1979 and 1984 the Japanese imports of herring and herring roe have represented an increasing percentage of total imports. For example, Japanese importers in 1979 handled herring and roe in the order of 23,200 tonnes, or about 1.8% of the total fish imports to the country in that year (1.15 mill T). The corresponding imports of herring products in 1984 were about 66,000 tonnes , about 4.7% of total imports (1.39 mill T). This increase has several reasons, both absolutely and relatively. The Japanese decline in self sufficiency has already been pointed out. Secondly, import quotas have been increased and import duties lowered. These factors together with the increased supply of herring from the North Atlantic could be said to be the most important reasons for these developments.

Table 2. Imports of herring to Japan 1980-87.

Jan - Oct. 1987

	1980	1981	1982	1983	1984	1985	1986	1987 [1]
Fersk Fresh				1				NA
Frossen Frozen	30.144	50.118	59.919	53.167	55.060	71.567	62.710	62.242
Salt/Tørk/røkt Salted/Dried+Smoked	1.966	200	468	1.443		1	10	NA
Total import	32.110	50.318	60.396	54.611	55.060	71.766	62.720	62.242

[1] Gjelder perioden jan. - okt. 1987

Kilde:

The Japanese import primarily frozen, round herring but also small quantities of salted herring. Negligible quantities of fresh herring are registered, respectively 1.7 tonnes (1979) and 1.1 tonnes (1983) imported from the USA. In addition, a couple of Japanese importers have started to import frozen herring fillets from Norway in an effort to develop market niches based on fillets. The latter seems to be a very important development from a Norwegian point of view.

Looking at Japanese import statistics it is important to realize that the imports of round frozen herring have two different purposes: Most of the herring coming from the Pacific coast of USA and Canada is roe herring for later removal of roe for the production of kazunoko. Here it is the roe that is of interest, not the herring itself which is only to a limited extent used for food purposes. It should be pointed out, however,

that some of the herring from Bristol Bay is used for dried herring, so-called "Migaki Nishin".

Table 3. Imports of frozen herring 1981 - 1987 by country.

Export country / Eksportland		1981	1982	1983	1984	1985	1986	1987[1,2]
South	Sør-Korea	224	--	60	-	--	--	
North	Nord-Korea	188	503	636	233	52	--	
Iceland	Island	--	300	462	339	65	613	
Norway	Norge	--	8	470	10445	18302	189003[3]	19.848
Sweden	Sverige	449	37	371	691	1215	--	
	Danmark	--	19	49	14	73	1	
Britain	Storbritannia	--	410	--	448	914	825	
Ireland	Irland	--	19	33	281	195	457	
	Nederland	2914	2632	3880	4776	11168	6292	
	Kanada	23452	23141	9082	5756	5055	1618	
	USA	22343	30973	38084	31760	34072	33752	
	USSR	269	1769	--	317	--	--	
Other	Andre[4]	229	106	41	--	455	213	
	Totalt	50118	59917	53168	55060	71568	62710	66.641

1) Norsk eksport gjelder hele 1987. inkl. filet.

2) Totalt: foreløpige tall → Prelim.

3) Iflg. norsk eksportstat. ble det eksportert 19.210 tonn fra Norge

4) Andre: China 1985 107 tonn, 1986 46 tonn

USA has been the leading supplier of round herring to the Japanese market and supplied close to 60% in the period 1979 to 1985. As mentioned earlier, this export consists only of Pacific herring for further processing to kazunoko.

Canada is also one of the chief exporters and ships herring both from the Pacific coast and the Canadian east coast. In contrast to American exports, 95% of Canadian exports consist of atlantic herring. The reason is that the Canadian government has passed restrictions on exports of un-processed roe herring. This is done to assure a certain amount of employment in the processing of kazunoko herring. Only 5% of the yearly catch from the Pacific coast can be exported as whole, round frozen herring.The rest must be processed locally, i.e. opened manually, the roe taken out and put in brine as semi processed kazunoko. The male milt herring and the rest of the roe herring are either discarded or used for reduction.

Norway did not enter the Japanese market until 1982, but exports since then have increased sharply as shown in Figure 4. In 1984 the Norwegian export had reached 17,300 tonnes which placed the country in a clear no. 2 position after the USA. In 1986 the quantity was slightly higher in addition to ca. 200 t single fillets. In contrast to the USA and Canada, Norwegian herring are being used for food herring, and in this segment of the market Norway is the leader both in quantity and in price.

Netherlands is also an important supplier to Japan, and perhaps to a greater extent a competitor to Norwegian herring,

especially random packs frozen at sea. Exports from Netherlands have also increased year by year, but these consist chiefly of smaller herring from the British Channel and the North Sea taken by "self producers"(freezer vessels). The prices for this type herring are considerably lower than those for Norwegian herring, both to the producer and out of the market. While the prices for Norwegian herring (CIF) were respectively NOK. 7.05 (1984), kr. 7.47 (1985) and kr.4.10 (1986), Dutch herring were sold for respectively NOK 4.06 (1984), 6.46 (1985) and 4.38 (1986).All prices per kilo.

3.3 Consumption of herring

As mentioned earlier there are two separate market segments for imported herring in Japan; the food herring market and the roe herring market. The market for food herring is supplied both from own landings and from imports. However, the roe herring market is the most lucrative of the two since it has a high status and is a much sought after delicacy. In the past few years the roe herring market has been supplied exclusively from imports.

Herring are consumed in two basic forms; either as fresh or as a dried product. Fresh herring are supplied to the market either from own landings or from thawed frozen herring, such as Norwegian "food herring". As seen in Table 2, almost all imported herring are in the form of frozen products, and based on Japanese statistics it can be said that very little of the herring sold on the wholesale markets are fresh in the true sense

of the word. In 1985 for example, only 81 tonnes fresh herring were registered sold on the five largest markets. In the same year almost 9000 tonnes frozen herring were sold on the same markets.

Food Herring.

Norwegian herring are used in two different ways; either grilled (barbecued) whole or as dried herring (Japanese :Migaki nisjin). According to a processor in Sapporo (Mr. Saitho, Hokuei Shokai Co. Ltd.), about 4000 tonnes of the Norwegian herring were used as migaki nisjin in 1985 while about 10,000 tonnes went directly to retailers as unprocessed "fresh" "food herring".

Norwegian herring in Japan are to a large extent used as food herring. The herring are sold round frozen,both to the restaurant and retail markets. In the supermarkets the herring are often displayed frozen in the same packages as packed in Norway and this is one of the reasons Japanese importers would like to have the product packed in relatively small units (7 kilos). When inquiring of Japanese importers if it would be advantageous with even smaller packages, f.ex. 5 kilos, the answer was that this would result in too much handling. The herring are sold by the piece, and the requirements for uniform sizes are therefore very important.

Round frozen herring in 7 kilo packages are used both in restaurants and in private homes. The herring are barbecued

whole with head and guts. It is chiefly winter herring that are used for this purpose since they have very little stomach content and also a higher roe content.Since herring roe has a special cultural status in Japan it is an extra bonus that they have roe. It is on this basis that FTFI has seen the potential for utilizing electronic/mechanical equipment for sex sorting of herring (see report by this author) since consumers are willing to pay extra for herring with roe.

Dried Herring

Migaki nisjin is in principle produced in two different qualities: "Soft dried" is often produced from fall caught herring since it is important that the herring are as thick as possible across the back. The fat content is here an important factor. In principle it can be said that "random (mixed)packed" herring from Norwegian vessels are used for migaki nisjin, while hand packed (layer packed) 7 kilo packages go to the retail market as food herring. Migaki nisjin soft dried is to a large extent also a restaurant product. (Appendix x gives a rough outline of the processing of Migaki nisjin)(Not incl.Transl.note)

Migaki nisjin "hard dried" is to a large extent produced from Pacific herring. The herring are often imported as roe herring which are then sold to migaki nisjin processors by kazunoko processors after the roes have been removed. This herring type is bought quite cheaply; 70 - 80 Yen per kilo (1987).

The total consumption of dried herring is surprisingly constant in Japan. From 1972 to 1976 the production was about 19,500 tonnes per year. In these five years the quantities did not vary by more than 800 tonnes on a yearly basis! However, the quantity declined to 12,000 tonnes in 1980, but has again increased to over 17,000 tonnes a year for the last few years. About 90% of the migaki nisjin production takes place on Hokkaido, especially in the cities Iwanai, Yoichi and Rumoi.

Table 4: Production of Migaki nisjin in Japan 1980 - 1985.

Tonnes product weight.

ÅR	KVANTUM
1980	12.060
1981	14.803
1982	17.308
1983	17.559
1984	17.184
1985	17.011

Source: Annual Statistics of Fishery Products Marketing, Statistics and Information Department, Ministry of Agriculture, Forestry and Fisheries, Japan.

Other product variants with herring as raw material:

There is also a variant of dried round herring, so-called Maruboshi. It was said that this product is not a very large item, but is a product that can be made from Norwegian herring. The herring is dried for 10 hours at 25 C and at this point about 30% of the water has been removed. The price for this

herring out of the market is 150 Yen/piece (1986).

Up to and including 1983 certain quantities of salted herring were registered in import statistics indicating a certain market for this type of product. It is, however, quite likely that this is herring for roe production. Earlier it was usual to salt herring for kazunoko production in order to improve the shape of the roe sac and the texture of the roe and to facilitate manual removal of the roe sacs.(Boyd, Geiger, Southcott 1972, and Boyd et al, 1980). It is very difficult to produce the right quality kazunoko from fresh raw material.

Another fact that indicates that the import of salted herring is not food herring, is that the Japanese in general do not use or like strongly salted food. The food is instead spiced or flavor enhanced with soya sauce etc. However, Iceland did ship a trial batch of sugar cured herring to Japan in 1986 which was marinated by the Japanese receiving the shipment. There was no similar export in 1987.

4. IMPORTS AND CONSUMPTION OF HERRING ROE

Herring roe in the form of kazunoko is a traditional Japanese product which earlier had a prominent place in Japanese fare. Due to a sharp decline in herring resources the supply of herring roe also declined. The Japanese therefore became interested in herring resources available in other countries, but the start of the roe import in the 1960's was limited by a very strict import quota.These quotas were originally set to give some

protection to fishermen who lost income and work as a result of declining domestic catches. The Japanese government gave exclusive control of the herring import to Hokkaido Gyoren or the Hokkaido Federation of Fishery Cooperatives who would distribute the income from the imports to the members. Low domestic catches in combination with the import restrictions put pressure on prices, and this lead to the Japanese authorities removing the import quotas for roe in 1972.

After this liberalization the imports of herring roe increased sharply in 1982 (by 8 times) and the prices declined 50%. Between 1972 and 1974 about 50% of the imports came from China while 35% was imported from Canada. The prices continued to decline in this period, and in 1975 the consumption was estimated to be 155,892 tonnes, about 65% above the consumption in 1973. From 1973 China dropped out as the main supplier due to a sharp decline in the resource followed by an expansion in the herring roe industry in British Columbia, Canada. Therefore, British Columbia had ca. 80% of the total roe market in Japan in 1978.

In the 1980's the situation has been that Canada has retained the position as a supplier, and together with Alaska (USA) these two countries dominate the kazunoko market (salted or frozen herring roe).

Imports of Kazunoko is chiefly carried out in two ways:Kazunoko is roe either taken from the fish and then brined in several steps, bleached and sent as semi-processed to Japan, or round herring is imported frozen, thawed and processed in

Japan. In recent years it has also become more and more common that the Japanese take round frozen herring to South Korea or China and use cheap labor there for the extraction of the roe.Only the roe is then imported to Japan. The herring, which has an import quota, is left in the processing country as payment for the labor. The top quality Kazunoko market is chiefly supplied by roe and/or herring from the Pacific coast of USA and Canada.

Tabell 4. Import av saltet silderogn til Japan fordelt på land.
1980 - 1987.

	1981	1982	1983		1984		1985		1986		1987
	Kvantum	Kvantum	Kvantum	Pris	Kvantum	Verdi Value	Kvantum	Verdi	Kvantum		Kvantum
Sør-Korea	1007	731	336	124	375	133	830	147	1124	130	
Nord-Korea	25	66	190	284	101	41	51	51	91	40	
China	469	399	916	120	556	106	617	131	579	136	
Norge NORWAY	0,2	0,3	--	--	2	29	16	38	16	51	
Irland	--	0,1	--	--	4	63	--	--	115	36	
Danmark	--	9	144	16	227	20	228	19	300	21	
Nederland	0,4	0,4			0,1	65	67	42	424	43	
Finland	10	39	68	48	57	36	143	65	113	67	
Sovjet	180	27	76	82	415	95	70	124	169	147	
Canada	4185	4722	5639	114	4684	121	4001	163	2867	164	
USA	1785	1501	1246	123	878	116	1626	140	781	136	
Andre	--	--	11	--	11	20	34	45	184	6	
Kvantum	7645	7497	8628	112	7309	145	7683	145	6762	114	10.974

Kilde: Export and Imports, Japan Tariff Association, 1981 - 1983

1) 1987 foreløpige tall = Japanese Imports of Marine Products, Jap. Marine Products Ass.

It is assumed that prices or values are given in Norw.Kroner/Kg. Transl.Note.

Table 4. Imports of salted herring roe to Japan by country.

Kazunoko is a delicacy that is consumed mostly around the Christmas and New Year holidays. It is especially being served to newly wedded couples with reference to the Japanese "kanji", or characters in the written Japanese language, with good wishes for many children or heirs. But consumption of kazunoko is no longer limited to a week around the new year, but is also now served in the more exclusive "Japanese style" restaurants throughout the year. The dish is then served to the guest as a sign of honor and prestige. (Gley, 1983).

It is common practice to divide the consumer market for herring roe in two, based on quality differences. In recent years there has been an increasing demand from better eating establishments that serve lower quality roe as a starter or appetizer. This is mainly the basis for the import of frozen herring roe from Atlantic herring. In addition, Atlantic herring roe is also used a good deal in so-called "mixed roe products", i.e. mixtures of roe, kelp/seaweed, soy sauce etc. These products also seems to appeal to the younger generation. These two factors, together with lower price, are the two main reasons for the increase registered for import of frozen roe from Atlantic herring, see Table 5. The consumption is not particularly tied to the new year celebration, but occurs all year. This market segment is roughly estimated to be 40%. The last 60% is consumed in connection with the new year celebration. It is then primarily top quality kazunoko from Pacific herring (B.C.-Alaska) that is being used. This product is packed in small wooden boxes and used

chiefly for gifts. (Without further comparison this custom can perhaps be compared with the Norwegian custom of giving chocolates and candy to friends and acquaintances at Christmas and the New Year).

Top quality kazumoko has a very short season for consumption, and it must also be imported up to 9 months ahead of the season. This tend to give rise to speculations in storage and price changes which again has led to large price changes throughout the year. It can categorically be stated that the herring roe market in Japan is a market where speculation is an integral part of the market. Appendix 1 shows price variations over the year and should clearly show the extent of these variations.

The reasons for these price changes are not found only on the basis of speculations, but also have their origin in the special consumption pattern. This is confirmed by calculations of elasticity of demand (Alley, 1982). On the basis of data for the period 1970-1980, Alley found that the demand elasticity was -1.34 for the period January/September, while it was -0.24 in the main season for kazunoko (October-December). This demonstrates an approximate non-elastic demand in the season and a corresponding price elastic demand outside the season. Alley's model also confirm the assumption that kazunoko is a luxury product since he found a positive income elasticity of 2.93. This means that consumption of the product increases with increasing incomes. De Voretz (1985) has also confirmed the strongly positive income

elasticity for kazunoko. For data for the period 1977-1980 he has calculated it to be as high as 13.5.

Frozen herring roe.

Imports of frozen roe have increased both in relative and in absolute terms in recent years. While imports of frozen roe only comprised 6% in 1979, these had increased to 47% in 1986. This roe comes chiefly from Atlantic herring where Canada is the leading supplier, but where a number of European countries have delivered quantities of a certain size. Frozen roe has other end uses than kazunoko and is also processed differently. This is roe used in so-called "mixed roe products" where the roe is mixed with seaweed and kelp, soya sauce etc. It is much cheaper to the consumer and has therefore also a much broader consumer appeal than real kazunoko.In contrast to the kazunoko market which has been quite stable regarding tonnage consumed, the so-called mixed roe products are showing good growth. One reason is that younger age groups can afford to buy this product and that it is "flavor-adapted" to a wider consumer group.

Loose herring roe.

Small quantities of loose herring roe were imported from Denmark in 1985 and 1986. The product was observed being sold at the market in Sapporo and can to a high degree be compared with the product properties already known from the Norwegian capelin roe export. The price was also on the level with capelin roe.

Tabell 5 Japansk import av frossen silderogn 1979 - 1986.

It is assumed that prices are given in Norw.Kroner/Kg. Transl.Note.

	1981		1982		1983		1984		1985		1986		1987[3]	
	Kvantum	Pris[1] Quant. Price	Kvantum	Pris	Kvantum	Pris	Kvantum	Pris[3]	Kvantum	Pris	Kvantum	Pris	Kvantum	Verdi
Danmark	--		8		5		15	16	47	16	33	18		
U.K.	--		1		--		--		1	43	36	64		
Irland	--		73		169		245	43	228	51	640	59		
Nederland	--		4		6		24	31	25	39	15	24		
Finland	27		30		40		12	68	25	71	8	73		
Canada	438		940		1492		2919	49	4652	49	5271	59		
USA	0.3		0.5		2		4	43	19	44	15	49		
Norge Norway	--		--				8	16	127	26	--			
Andre Other							2		182	42	33	48		
Totalt	466	36	1059	48	1716	41	3228	48	5186	48	6052	59	9632	NA

Gj.snitt pris Average price

Table 5. Japanese imports of frozen herring roe.

1) 1981-1983. Prisene omregnet fra japanske yen basis gj.snittkurs for de aktuelle årene. Prices converted from Jap. Yen, ave. exch. rate.

2) 1984-1986. Omregnet fra USD basis gj.snittskurs for de aktuelle årene. Converted from USD, ave. exch. rate

3) Foreløpige tall: Kilde: BANR, Seattle Preliminary values.

Roe on kelp.

A special product is "roe on kelp", i.e. herring roe stuck to seaweed and kelp. In Japanese: Kazunoko kombu. Along the Pacific coast and in Alaska herring spawn in shallow water and the roe sticks to seaweed and kelp on the bottom. These plants with attached roe are cut by divers and then preserved in saturated brine. Harvest and production is very limited both in Canada and Alaska. For example, in Canada only 25 licenses for 8 tonnes each are issued. In Alaska the licenses are chiefly issued to the original Indian population.

Kazunoko kombu is exported to Japan in 20-30 litre plastic pails where it is sold as a high-priced delicacy in expensive restaurants. The thicker the roe layer, the higher the price. For example, the price in a retail store in Tokyo in March, 1985 was 20,000 Yen/kg. (NOK 687/kg; C$ ca.130-140/kg)

Table 7. Japanese imports of "roe on kelp" 1981-1983.

Tonn, Verdi: NOK/kg Value

	1981	1982	1983		1984		1985		1986	
	Kvantum	Kvantum	Kvantum	Verdi [1] Quant Val	Kvantum	Verdi	Kvantum	Verdi	Kvantum	Verdi
Canada	172	180	213	169,-	157	183,-	209	203	140	239,-
USA	211	282	293	46,-	199	41.-	41	97,-	263	72,-
Total	383	462	506	98,-	356	104,-	250	185,-	403	

1) 1983 CIF-basis, omregnet fra Jap. Yen. Converted from Jap.Yen

2) 1984-86: Omregnet fra USD. Converted from USD

Kilde: Export and Imports, Japan Tariff Association, 1981 -1983

1985/1986: Japan Import of Marine Products

Norwegian herring spawn in much deeper water and corresponding harvest based on naturally spawned roe will be much more difficult. However, it could be possible to harvest kelp separately and to attach the roe under controlled conditions from captured herring. The assumption must be that the roe is ripe and has the proper stickiness for this production. This potential is further discussed in Chapter 6.

5. IMPORT RESTRICTIONS

Japan is accused by many for carrying out a very restrictive trade policy. In a number of areas considerable customs barriers are maintained in spite of a very large surplus in foreign trade. There have especially been hard negotiations between American and Japanese officials about easing the customs barriers on everything from chips (for computers), fish and fish products. Such negotiations are popularly called " fish and chips" trade, i.e. easing of trade restrictions are linked with fishing rights in other areas. Japan has in recent years increased their trade surplus with the United States ,and USA will be the key factor in trade policies set by Japan.

The Japanese government regulates imports of herring products both through customs duties and import quotas. Herring roe is not subject to import quotas since the Japanese no longer have their own roe herring fishery, but duties have to be paid on the roe on import.

5.1 Import quotas

The Japanese practice of imposing import quotas on herring dates back to the period when the country had a rich herring fishery along their own coasts. The import quotas were therefore meant as a protection for their own fishermen. But since the country lost access to substantial herring fishing areas, Japanese authorities were forced to remove the import quotas for herring roe in 1972 to ensure sufficient supplies for this market, see Chapt.4.

Due to a large demand for herring and since there was hard pressure from some herring producing countries (especially USA), the government has gradually liberalized also the import quotas for round herring. These quotas were only 10,000 tonnes in 1971, while they had increased to 70,000 tonnes in 1986/87. In the first half of 1987 the import quotas were increased substantially to 100,000 tonnes. At the same time the quota was divided 50/50 between Pacific and Atlantic herring. This has also had the result that prices have gone down. For example, the prices for Norwegian herring have declined by over 30% during 1987 chiefly due to the quota increases.

Table 5. Import quotas for herring, 1971-86

År	1000 tonn	År	1000 tonn
1971/72	10,0	1980/81	42,5
1972/73	13,0	1981/82	45,0
1973/74	16,9	1982/83	54,0
1974/75	13,0	1983/84	54,0
1975/76	13,0	1984/85	54,0
1976/77	17,0	1985/86	68,0
1977/78	33,0	1986/87	70,0
1978/79	40,0	1987/88	100,0
1979/80	40,0		

Kilde: US Dept. of Commerce, Office of International Fisheries.

The Japanese import quota applies to live, fresh, iced, frozen or salted herring and covers imports from all countries. It is therefore important to realize that it is not a special import quota for Norwegian herring and that it necessarily means that increased quotas will mean increased sales of frozen herring. The quotas are set twice a year to coincide with the Japanese fiscal year (which runs from April to March). The government announces these quotas twice a year, i.e. in the beginning and the middle of the fiscal year.

There is no free import even within the established quotas. All parties that import must be licenced through an organization or a firm that has such import licence.

On the basis of the objective of the import quotas, the Japanese government delegated the whole import quota to the Hokkaido Federation of Fishery Cooperative Associations (Jap. Do

Gyoren) from 1977 to 1980. This group has had little interest in importing processed herring since the group includes both fishing vessels and processing plants. In 1980 American representatives put pressure on to have the import quotas allocated outside Dogyoren, and a part was then allocated to the Federation of Hokkaido Fish Processors Association (Hokkaido Kakoren), and all Japan Processing Fishing Products Cooperative (Zen-sui Kakoren). In 1981 this system was further liberalized so that about 26 different processing organizations and firms were given licenses for import of certain quantities. The distribution of the import licenses in 1985 and 1986 is shown in Figure 8. It can be seen that Dogyoren still dominates the quota system with control over nearly 50% of the import quotas. Next are Hokkaido Kakoren and Zen-sui Kakoren with considerable quotas.

Trading houses also have considerable quotas, but they must pay a 6-6.5% fee to Do Gyoren and Hokkaido Kakoren.

Figure 8. Distribution of import quotas for herring

First half of 1986.

IMPORT QUOTA OF HERRING
(1ST HALF OF 1986)

QUOTA CONTROLER	1st half 1986	1st half 1985
Hokkaido Federation of Fisheries Cooperative Association (Dogyoren) Fishermen.	16,300	(15,800)
Hokkaido Processing Fishing Products Cooperative Federation (Hokkaido Kakoren)	7,000	(6,800)
All Japan Processing Fishing Products Cooperative Federation (Zen-sui Kakoren)	6,600	(6,400)
All Japan Specialities Processors Cooperative Federation	450	(400)
All Japan Federation of Fisheries Cooperative Association	650	(600)
Long-line Fisheries Association	0	(1,000)
Trading Houses	4,000	(4,000)
Total	35,000	(35,000)

Kilde: Frank Bodin, FRIONOR

The Japanese distribution system for fish is often complicated with a number of (cost increasing) links involved. It is therefore difficult to give a general outline for all fish products. The distribution system will often vary from species to species in addition to variations according to utilization for the individual products.

Herring are sold both through the market (wholesaler/broker) or outside the market (distributor) directly to Supermarket. Figure 9 shows typical channels for the marketing of food herring. The numbers in brackets show estimates of the price increases for the various links.

Figure 9 Distribution channels for food herring imported under Trading House IQ.

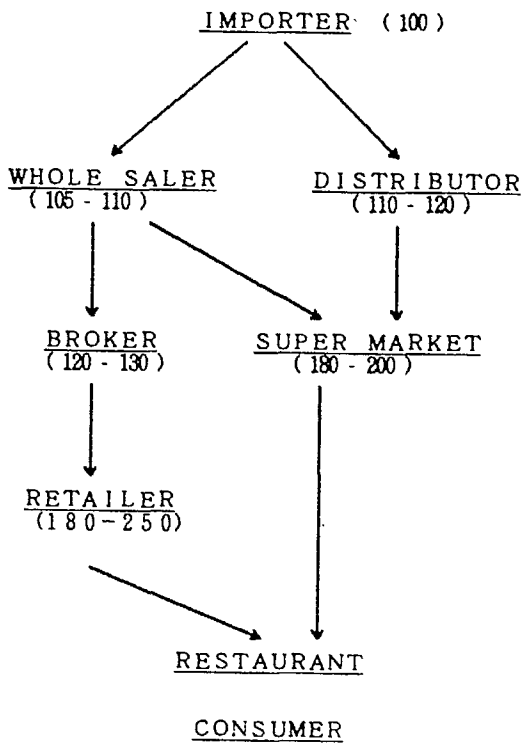
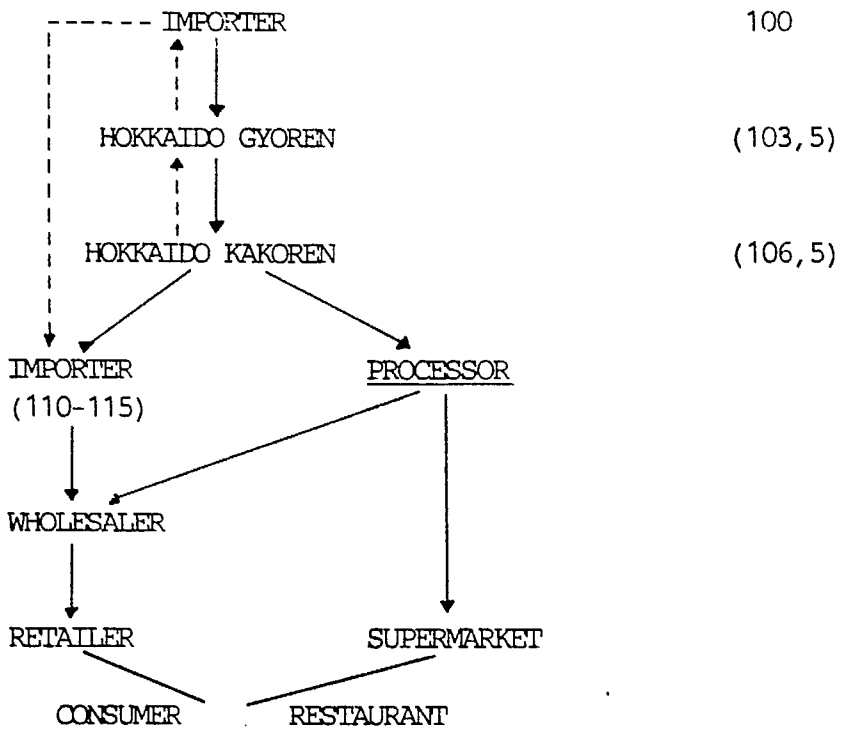


Figure 10 Distribution channels for food herring imported under import quotas controlled by HOKKAIDO GYOREN and HOKKAIDO KAKOREN.



The above shows which alternate distribution channels can be found for either whole round herring or processed herring such as migaki nisjin. Herring to be processed go from importer via producer associations to the processor. From the processor the herring can either go directly to the supermarket according to firm delivery agreements or marketed through a wholesaler. The wholesaler then often sells for the processor for a set commission.

5.2 Customs duties

The Japanese government also impose duties on the import of herring products in addition to the import quota

system. Several Norwegian exporters are not aware of this since the Japanese usually buy FOB. The duties are calculated ad volerem, i.e. on the basis of quantity and not on the basis of the value of the product. This can be explained by the stated purpose of the trade restrictions which was to protect the Japanese herring industry, not as a source of income for the government. Especially in the USA there are many that feel the import quotas are enough protection and that the existing duty is unnecessary if the objective is to protect their own market.

In the so-called "Tokyo Round" of the GATT negotiations in 1979, Japan was gradually pressed to gradually reduce the duties of frozen herring, herring roe and herring fillets from 10 to 6 percent in the period 1979-1987.During 1985 the duties on frozen herring roe were reduced to 6% while duties on round herring were reduced to 6.5% and further to 6% in 1986. The duties on herring fillets have not been reduced from the 10% level. Also in the last round of the GATT negotiations Japan was subjected to hard pressure from American authorities for a further reduction in the duties. Norway should here participate in exerting pressure, especially for herring fillets where some processors are interested in expanding their market niche using Norwegian large herring.

Table 6. Duties on herring products,1987. Percent (ad volerem)

Product	Duties GATT	NON GATT
	1986	1986
Herring		
Fresh	10	10,0
Frozen	6	10,0
Salted	15,0	15,0
Fillet,fresh	10,0	10,0
Fillet,frozen	10,0	10,0
Smoked	10,0	15,0
Canned	9,0	20,0
Herring roe		
Fresh	8,0	10,0
Frozen	6,0	10,0
In brine	12,0	15,0
On kelp/seaweed	4,0	15,0
Canned	12,8	20,0

Source:Japanese Imports of Marine Products (Statistics)1986 *)

Copies of duties for all fish products applicable for 1985/1986 are attached as Appendix 2.

*) GATT; General Agreement on Tariffs and Trade. These customs duty reductions apply only to those countries that have signed the GATT convention. Other countries can therefore have higher duties on their exports, see Table 6.

6. OPPORTUNITIES AND LIMITATIONS IN THE JAPANESE MARKET

6.1 Some qualitative aspects of the Japanese market.

The Japanese market has in general been very attractive for many, and will be to an increasing degree in the future. But on the other side , the barriers for getting in to the market are very high.

H. Simon (Simon,1986) means that market dynamics (rapid changes), the competitive intensity and quality awareness are the most outstanding characteristics of this market. The price sensitivity is , however, relatively low. Institutional barriers are not especially prominent either.

The key factor for success in Japan is, according to Simon, conscious effort combined with lots of patience. It takes a long time to establish a lasting and stable relationship with the participants in the market, for instance due to cultural barriers.

Schram Stokke (1986) also shows that Japanese firms involved in the seafood trade often have a deliberate strategy to conclude long term and close associations, both of social (administrative) and functional character. This is done to reduce uncertainty in the environment, and they are what is called "strategic alliances". Such alliances take a long time to establish and much time to maintain. This is also confirmed by the replies given by Norwegian exporters with experience from Japan to the questions posed by " Project Japan". (Gripsrud, pp. 78-79)

6.2 Development trends in the seafood market.

The Japanese seafood market is unique in many aspects; it is characterized by a large volume, high per capita consumption and ,not the least, a large variety. This , together with a considerable import demand, has contributed to the country's attaining a steadily more domineering position within international seafood trade.

In 1987 Japan imported 2.069 million tonnes (product weight) seafood vs. 1.8 million tonnes in 1986. It is estimated that this will increase to close to 3 mill. tonnes by 1990 (estimate by United States Foreign Commercial Service, Tokyo) which means that imports will comprise 50 percent of the total supply of seafoods. Three factors will contribute to the expected increase in imports: 1) Even stricter limitations in the access of Japanese vessels to fish in other countries economic zones; 2) The strong Yen which make imports cheaper and thereby more competitive; and 3) An increasing health awareness among Japanese consumers.

6.3 The Norwegian position in the seafood market.

Norway has so far played a modest role in this market. The most obvious reasons are of course the geographical distance, but also cultural differences can have contributed to this situation. The barriers for actively entering the Japanese

consumer market are as earlier mentioned many and in part substantial. The reason for the positive developments in recent years in spite of these difficulties is rather that Japanese importers themselves have been seeking products to fill unfilled market demands. An attempt is now being made to correct this through the establishment of "Project Japan", a project that with its ambitious objectives must be characterized as quite unique with regard to conscious and coordinated marketing of Norwegian fish products.

There are several reasons that the Project Japan objective of a 3% relative market share of Japanese imports by 1990 can be problematic to achieve. These are both within and outside the influence of the Norwegian industry. In the first instance it concerns "problems" coordinating marketing efforts relative to maximum use of available resources. A good example here would be to refer to the situation with capelin and capelin roe in the Japanese market. Overexploitation of this stock has led to one of the main pillars in our trade with Japan having disappeared. (As expected, other countries were ready to take over; in this case Iceland and Canada.) In projects like this, integrated effort is required from all links of the chain if long term results are to be achieved.

These problems will not be further discussed in this report, but the markets for herring and herring roe products will be looked at in some detail. To some degree strong and weak sides of this segment of the market will clearly be of general

character for "Norwegian" fish, and to some degree there will be clear and specific conditions tied to these products.

In the evaluation of future potential there are several factors that will be of influence at this level; the resources in the most important competing countries, the Japanese herring catches, general trade policies (specifically foreign exchange policies), costs, competing products (substitutes), etc. The various product variants will be discussed in the following sections.

6.3.1 Round herring.

From Figure 4 it can be seen that Norwegian exports of herring have only been carried out for a few years. The first feeble efforts were made in 1982 when a few tonnes were sent as a trial shipment. The first commercial quantities were sold in 1983. Since then exports have increased considerably from year to year, but with a leveling off the last two years at the current level- a little under 20,000 tonnes.

In three years Japan became one of the absolutely most important markets for the Norwegian food herring industry. Yes, this market has been so important that it can safely be said that this market has "rescued" a large part of the industry in a very difficult rebuilding phase; from limited or no access to herring to relatively large quantities that mainly had to be exported.

Norwegian winter herring over 300 grammes today has a domineering position in the Japanese food herring market. This position has been achieved chiefly because of the size of the

herring, i.e. purely a biological characteristic of the product. Secondly, Norway has also been able to supply the quality required by the market. The latter has a decisive influence in all trade, but has a special importance on the Japanese seafood market.(Olsen (1987) characterizes the Japanese market with: Culture, quality, competition and buying power).

In evaluating the import statistics, it can be seen that USA and Canada has had a domineering position. For example, USA has supplied nearly 60% of the total Japanese imports of herring (fresh, frozen and salted) in the period 1979 - 1985. In the evaluation of competing countries it is, however, important to realize that import statistics do not bring out that herring are imported for two entirely different purposes. The American exports consist exclusively of Pacific herring (Clupea pallasi) mostly harvested in Alaska. This is roe herring where the roe production is carried out in Japan. (Japanese importers take some of these herring into third countries (Korea, China) with cheap labor for roe removal. The herring ,after roe removal, are often used as payment. Only the roe is imported into Japan, thereby circumventing the import quotas for round herring.) American herring is therefore not a serious competitor to Norwegian food herring. Only a small part of the American herring is used for migaki nisjin after roe removal.

The Canadian export is, however, entirely different. Canada also has a considerable catch of Pacific herring, but limitations have here been set on the quantities of unprocessed

herring that can be exported. Only 5% of the yearly production can be exported unprocessed. Roe removal must be carried out in Canada and only semi - processed roe (kazunoko) can be exported. In total it is estimated that 95% of Canadian exports consist of Atlantic herring. This herring can be a serious competitor for Norwegian food herring especially since it was this herring the Norwegian herring replaced on the Japanese market and which started the large increase in Norwegian exports in recent years. For this reason it can be seen that exports from Atlantic Canada has gone from round herring increasingly to frozen roe.

At the same time it is clear that Canada now has extensive experience with export of herring and herring roe to the Japanese market, both from the east and west coasts. Herring from the Canadian east coast can in many ways be the closest substitute for large, Norwegian Atlanto-Scandinavian herring. Many in Canada feel that Norway took over the market in Japan from Canadian east coast herring in this period. (Personal communication, P.M.Jangaard, DFO, Halifax,N.S.). Instead, Canadian exporters have managed to develop a considerable export of roe based on the same resources, as compensation for the disappearance of the food herring market. Therefore, any change in the Norwegian position could quickly be exploited by Canadian exporters ready to take over their old position.

In addition to Canada there has been a considerable increase in activity, and also exports of round herring and roe, from several European countries such as the Netherlands, Ireland and

Denmark. In 1986 Iceland also entered the market with frozen herring and also a trial shipment of 10 tonnes salted herring. A number of countries are therefore ready to take Norway's place if we for any reason should vacate the market. There is no shortage of suppliers waiting in the wings.

The competitive advantages can in the authors opinion be summarized in two words : quality and size. Quality is exceedingly important for this product which is sold and consumed in the round state. After some problems in the first two seasons, Norwegian processors have learned "the Japanese Standard" for herring. The signals received from Japanese importers, wholesalers and processors during the visit to Japan, was general satisfaction with the Norwegian product.

The size of Norwegian herring is a biological characteristic of great importance when it comes to food herring. This is a competitive advantage that other countries can do little about and which could maintain the strong position that Norwegian fall and winter herring have in the market. The only ones that can remove this comparative advantage are ourselves through poor management of the stock. There are , unfortunately, clear signs that this is already happening through excessive removals of adults (>5years old) in the past few years. In the current season (1987-1988) the average sizes of the herring have been much lower so that only a small part of the landings have been suitable for " Japan processing". Minimum size for food herring should be 250-300 grammes per fish. In the current season

herring of the 1983 year class weigh on an average 230 grammes. According to professor Johs. Hamre at the Institute of Marine Research, all of the older yearclasses of herring have been fished out. The last of these were caught in the winter of 1987, so in principle only the 1983 yearclass is left. The 1984 and 1985 yearclasses were eaten by the cod in the Barents Sea, while the 1986 and 1987 yearclasses are characterized as poor. About 90% of the Atlanto-Scandia herring stock now consists of the 1983 yearclass which means that there will essentially only be one yearclass to base the fishery on over the next 4-5 years. This should give rise to serious concerns for all industry members involved in herring fishing and processing.

Globally there is a substantial overproduction of herring relative to the known consumer markets ; a situation that will not change in the short or medium terms. For that reason the food herring markets in Europe have been subjected to a considerable price pressure in recent years. The same will now occur in the Japanese market within the segments of the market that do not require specific product properties and where several countries are able to deliver a satisfactory quality.

The latest increases in import quotas will also result in pressure on prices unless the same quota increase was based on a market demand that could not be met by existing supplies.

With respect to round herring, Norway will have the best opportunities in the food herring segment. This requires large herring of first quality (freshness, packaging, freezing);

something Norwegian exporters have managed to meet so far. The estimated market for this type herring is 10 - 15,000 tonnes. Due to the size of our winter herring in relation to herring from competing countries, it appears as if Norway will be able to control this market segment. It is therefore of decisive importance that the herring stocks can be managed in such a way that the market can be serviced continuously with herring of the right size and quality.

In addition it should also be exploited that herring with roe are preferred also in the food herring markets. Japanese consumers are willing to pay a considerable overprice for herring with roe relative to the usual 50/50 distribution of male and female fish. Deliveries of sex-sorted herring should translate into a considerable effect both in price and, not the least, the competitive position of Norwegian herring.

It has earlier been uncertainty regarding the increased price it would be possible to obtain for pure female roe herring vs. a mixed product. During our work with the development of equipment for sex sorting of herring (Richardsen and Petersen, 1988) , a price about 50% higher was indicated. However, we now know that Japanese importers have offered some processors and exporters close to double price for guaranteed female roe herring above the price for mixed herring.

With respect to randomly packed herring which are mostly used for "migaki nisjin", the pressure on prices could be considerably greater in the coming season. This will especially

be the case if exchange rates change so that the Japanese Yen falls in value (back to former levels) relative to Norwegian kroner or US dollars. There are a number of European countries in this market segment, and these compete partly with prices considerably under Norwegian prices.

6.3.2 Herring roe.

It has been mentioned earlier that the "genuine" "kazunoko" market is used to roe qualities from Pacific herring. Canada is here able to supply the quantities that normally disappear in the market so that opportunities for Norwegian herring in this high price market segment are not especially good. However, there are opportunities in several other areas where Norwegian roe could enter the market and compete for market shares. First and foremost this would apply to frozen Atlantic roe from Canada. The volume in this segment has gradually become considerable (5000 tonnes), and there is nothing to indicate that Norwegian roe quality deviates negatively from the Canadian product.

To prevent coming into direct competition with Canada, a cleaned herring roe product similar to capelin roe could be produced. Japanese importers have shown interest, but this again depends on the stocks recovering to the level that the herring could be harvested with the right roe quality, i.e. ripe roe. FTFI has tested various methods for this type of processing with good response for the products tested in the market place.

A last, but not less interesting possibility would be to test the Norwegian kelp Laminaria saccharina for an artificial roe-on-kelp production. This has not been tried earlier. These products sell for very high prices with opportunities for high profits if successful. The problem is essentially if the Norwegian kelp is acceptable as a consumer product in japan.

6.4 On Norwegian export organization.

In the period herring has been exported to Japan it has often been discussed how the Norwegian herring industry should best organize exports.Central actors in the industry have stated that herring exports should be coordinated through a few exporters after the model of capelin exports.(Ass.Dir. Leif Birkeland, FRIONOR, has on many occasions promoted this view, f.ex. at a conference arranged by the National Fish Processors Assoc.(Fiskeindustriens Landsforening) 16-17 Nov. 1985 .
The chief argument in favor is that this will prevent Norwegian exporters from competing with each other for contracts with Japanese importers. This has also been pointed out by dir. Saito at the FRIONOR office in Tokyo (" Norwegian exporters of fish and fish products fight like cats and dogs on the Japanese market. The result is a fall in prices, and only the Japanese benefit from this price war." Norwegian Trade and Shipping News, July 10, 1986.) In contrast, many processors are of the opinion that the industry is best served by free export.

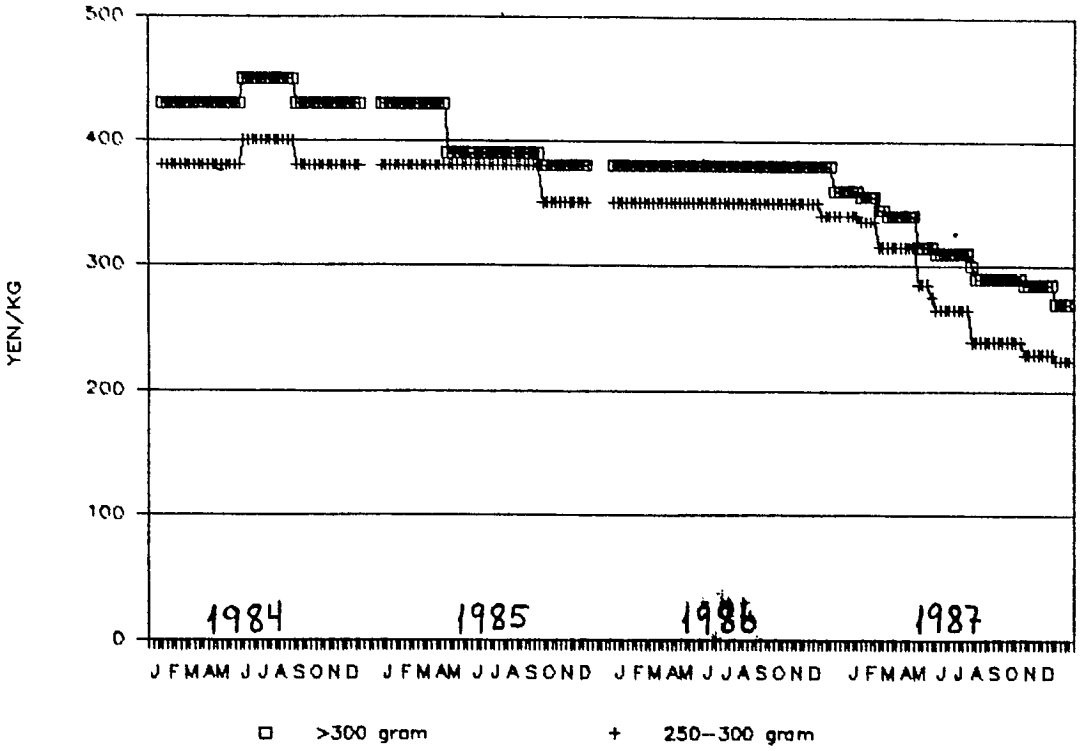
So far the export of herring has been open and characterized by a relatively large number of exporters. The number of importers has been somewhat lower, but also on this side there are a relatively large number of players. The import quotas managed by the Trading Houses are often divided into small quantities, often as low as 100-200 tonnes. In addition, some companies "buy" import licenses from f.ex. Hokkaido Gyoren and Hokkaido Kakoren against fixed commissions, see fig. 10.

The fact is that the Japanese market has been the best-paying market for Norwegian herring, regardless of utilization (also calculated as contribution margin per kilo product). It is difficult to evaluate objectively if the prices achieved could have been even better, since other alternative export strategies were not tried. However, different statistics over prices can be compared in order to attempt to find deviations or comparisons between the prices attained by the processors and the prices attained in the market.

The prices in Figure 12 on the next page apply to 7-kilo hand-packed food herring and will therefore not be directly comparable with the average prices we will later operate with for mixed export from Norway. A certain indication of price trends should be seen ,however.

A fall in the prices for large herring (over 300 grammes) was first registered in May 1985 followed by a new, small decline in October 1985. The prices were then stable up to

Figure 12. Prices for Norwegian Food Herring 1984-1987. Tokyo Wholesale Market.



Source: BANR, Seattle, USA

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the turn of the year 1986/87. From this time, the prices out of the wholesale market in Tokyo have fallen several times, so that prices were 25% and 34% lower in december 1987 than in December 1986 for respectively large and medium size Norwegian herring.

The reasons for the decline in prices can have been several but are in our opinion mostly caused by the steady increase in the import quotas in recent years combined with increased offerings of herring.

The fact that the total quotas now are at 100,000 tonnes means that the import quotas no longer are a limiting

factor. As early as the fall of 1986 there were rumors in the market that the quotas would increase, and when these finally were increased from 74,000 to 100,000 tonnes, there were strong reactions in the market (as can be seen from Figure 12).

This has of course resulted in lower price offers from importers to Norwegian processors; something that resulted in no production of Japan herring in the fall of 1987.

What has to a certain degree "salvaged" the situation so that winter herring is still processed in the 1988 season is that the value of the Japanese Yen has strengthened considerably relative to Norwegian kroner. This cancels out some of the drop in prices in the market. If there are to be marked changes in the exchange rates (a decline in the value of the Yen), it could rapidly have the effect that herring production for the Japanese marked would not be profitable for Norwegian processors.

A table has been set up below that shows the developments in prices FOB (Norwegian export statistics), CIF (Japanese import statistics) and prices out of the market (Tsukiji Wholesale Market). All prices are average on a yearly basis.

Table 7. Price developments for Norwegian herring for the Japanese market.

	Price to processor				In the market			
	NOK 1)	Exchange ore/yen 2)	FOB yen	CIF 3)	From grocer Tsukiji	Import quotas	Tot.imp frozen herr.	Tot.imp Atlant. herr.
	PRIS TIL PRODUSENT			I MARKEDET				
	NOK[1)]	KURS[2)] ØRE/YEN	FOB YEN	CIF[3)]	FRA GROSSIST (TSUKIJI)	IMPORTKVOTER	TOTAL IMP. FROSSEN SILD	TOT. IMP. ATLANTISK SILD
1983	4,44	3.07	144			54.000	53.168	10.467
1984	4,61	3,44	134	205	410	54.000	55.060	17.974
1985	4,89	3,61	135	207	387	68.000	72.568	25.819
1986	4,47	4,43	100	146	364	70.000	62.710	22.414
1987					291	100.000	≈70.000	≈30.000
86/84	÷ 3%	+29%	÷25%	÷29%	÷11%	+30%		+25%
87/84					÷29%			≈+67%

1) Average prices based on Norwegian Statistical Bureau statistics over foreign trade.
2) Average exchange rates for the year
3) Japanese import statistics

A certain price increase to Norwegian processors (col.1) has been noted in 1983, -84 and -85, followed by a drop from 1985 to 1986. Converting to Japanese Yen, it can be seen that Norwegian herring became considerably cheaper for importers in this period due to the sharp changes in exchange rates.

In principle it can be said that Norwegian exporters did not manage to extract the profits inherent in the exchange rate changes in the period. While the price in Norwegian kroner stayed approximately at the same level in the period 1984 to 1986

(minus 3%), the buying power of Japanese importers was strengthened by 29% due to currency changes. This is also confirmed by the average CIF price (-29%). The suggestions we had during our visit to Japan in the fall of 1986 that the importers "earned good money" on Norwegian herring are confirmed when it can be seen that the prices out of the market "only" declined by 11% in the corresponding period.

Superficially the conclusion can be drawn that Norwegian exporters have not succeeded in extracting from the market the optimal amount for their products. Especially the registered decline from 1985 to 1986 (-10%) cannot be explained by conditions in the market. We personally registered much uncertainty in the winter 1985-86 when several new processors started with Japan production without having concluded contracts with the importers. Several sources claimed that this contributed to pressing the prices downwards.

That the prices in the market have shown a very sharp drop in 1987 will again mean that the pressure on prices will be considerable in 1988 and the winter of 1989.

6.5 On strategies for increased exports

Gripsrud on p.100 in his report points out that Norwegian exports today are based on a relatively limited number of products; something that makes us vulnerable to resource supplies for these products. This has been clearly demonstrated with respect to capelin. A future task will therefore be to

evaluate opportunities for new products or any opportunities for bringing in other processed products.

> "In this connection it is necessary to obtain better information on the Japanese market. Our impression today, both through questionnaires and interviews, is that most exporters have a somewhat superficial knowledge of for example the Japanese distribution system and preferences of Japanese customers. These are conditions that should be known if the market is to be penetrated deeper than the case is today." (Gripsrud, p.100)

Such strategic evaluations will be decisive for future results of a Norwegian market initiative. We will in the following give some comments for such evaluation based on the experiences we have from our work with introducing new products on the Japanese market, i.e. herring roe and single herring fillets.

During our visit to Japan in September 1986, I had the pleasure of participating in an introduction campaign for Norwegian herring fillets in a supermarket chain in Tokyo. Here we received a first hand impression of what is involved in introducing a new product in Japan. Our experiences are of course extremely limited, but we still feel we can bring out some comments of a general nature.

In Norwegian supermarkets the fish counter is often 2-3 metres long. In Japan they are usually at least 10 m. and often much more. Fish counters dominate clearly relative to meat, and the product selection is very broad. In this product variety it is no simple matter to get the attention of the consumer. It can be quite an experience to be present to see all the manned counters and listen to the constant "outcries" from the sellers

behind the counters. Fresh products are especially being marketed "actively", i.e. are being offered by people with first hand knowledge of the product they sell.

How can "Norwegian" products manage to take on a specific profile in this market, and how shall Norwegian processors and/or exporters obtain the necessary knowledge to succeed in Japan? An important factor in this connection is therefore to evaluate the correct entrance level in the market.

Norwegian exporters have to a large extent contact with Japanese trading firms. For most of the Norwegian companies, therefore, the only information they get on the market situation come from their trading company. If we study the position these trading companies have in the market, we will soon discover that there are clear limitations on what information can be obtained if one is informed only through these channels. To understand this, one should look closer at the distribution system in Japan which is known for its complexity, and in many peoples opinion, for the many unnecessary and cost increasing links.

The point is that the trading companies that operate for example in Norway, are specialized units on just trading and not on sale and distribution in the consumer market. The processors that are the customers of the trading companies, are, however, knowledgeable in this area.

A "processor" in Japan is not the same as a "fish processor" in Norway. While a Norwegian processor is chiefly occupied with processing operations, a Japanese processor is just

as much occupied with sales and marketing. My impression is that it is this sector that chiefly carries out product development in the market. The processors solicit customers for their products and must protect shelf-space in the supermarket chains. They therefore get a direct feedback on how a product sells at the retailer level. A processor often participates himself in the marketing efforts in the supermarket and has direct customer contact. Few people therefore know the limitations and opportunities of products better than the processor.

These conditions were clearly demonstrated for us both through participation in the above-mentioned marketing push for Norwegian herring fillets and through conversations regarding the herring roe samples we had sent to Japan in advance.
With respect to the last mentioned, it was soon very obvious that if we were looking for a proper "professional" evaluation of the product , we had to talk to the processors that specialize in the production of such products. In meetings with the trading companies that the samples were originally sent to, the answers were often of a more general nature, or, as happened in several instances, I was referred to the customer - processor of the company to discuss the product in more detail.

What we intend to show is that the Japanese processors have a very differentiated position with respect to the marketing of fish products and therefore also very broad and good knowledge on the product opportunities in the market. It is therefore of great importance to go <u>below</u> the top levels in the marketing

chain (trading houses, importers) and down to the processor level if one wants to carry out a deliberate marketing effort in Japan and seek active and direct cooperation on this level. In our opinion, only then will direct contact be achieved with the opportunities and limitations found in the market. The trading firms operate more on the "macro" level and adjust their imports according to the signals they get from the market and /or their groups of customers, the processors.

If there are any opportunities for Norwegian exporters to market f.ex. semi-processed products, closer contact should be made with the end user of the products. This will also mean that one must have access to rational distribution channels. This would be possible because there are large changes underway in the old and established distribution channels in Japan. For example, a greater and greater volume is marketed directly between processors and retailers. In 1978 a total of 820,000 tonnes of frozen seafood products were marketed through the "old" channels while this had dropped to 640,000 tonnes in 1985. We also have heard that Canadian firms already have started negotiations with Nohkyo, the largest organization of farmers in Japan. Nohkyo owns 7500 stores in Japan, and sales of fish products comprise about US $ 1,050 million through these stores.

A collective and coordinated attempt, for instance managed under "Project Japan", to mount an innovative marketing push in the Japanese market, will in our opinion be one possible strategy for increased exports and better positioning of

Norwegian seafood products.

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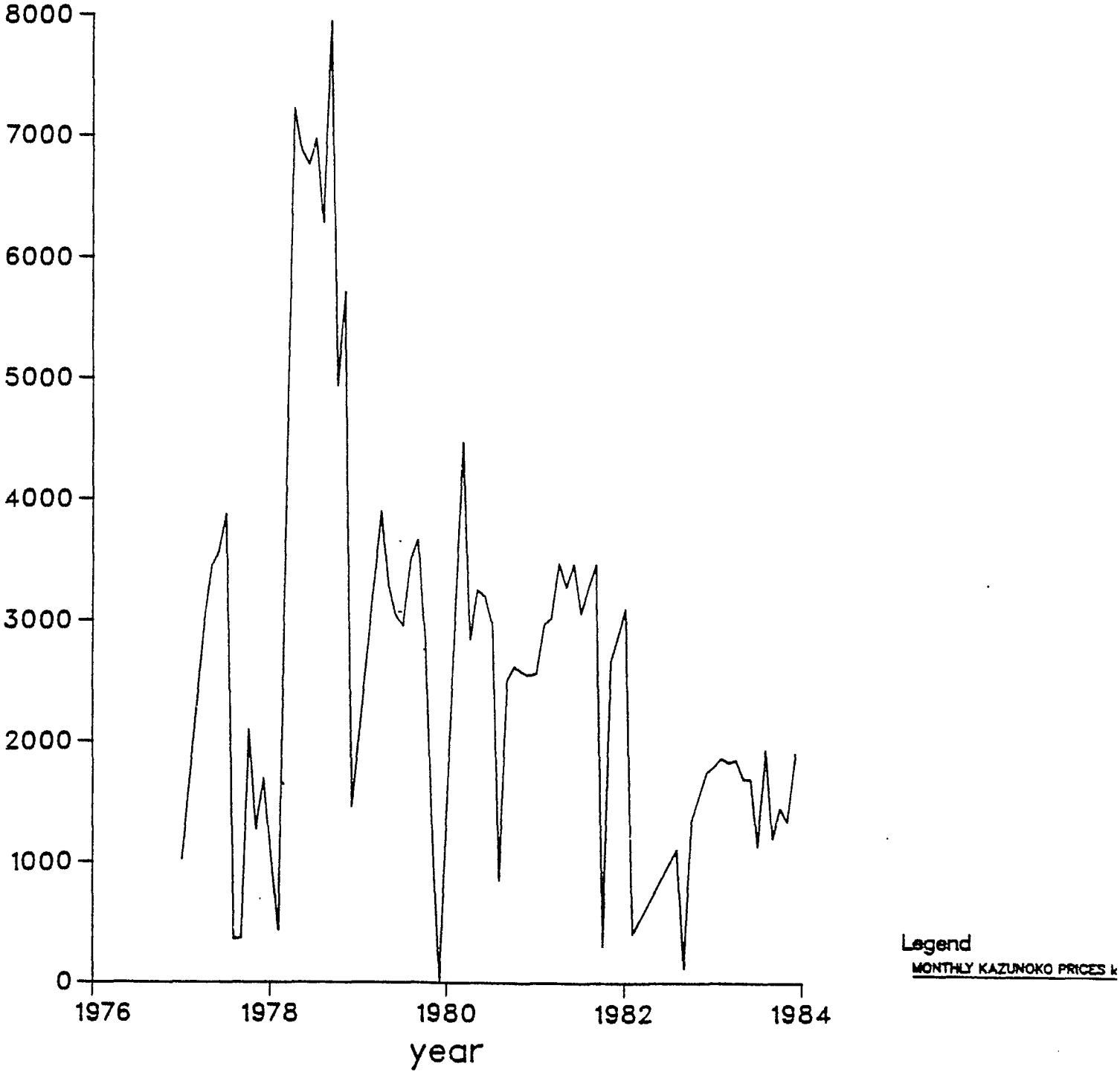
JAPANESE MONTHLY KAZUNOKO PRICES



Kilde: DeVorentz (1985)

Eksempler på prisnivå for diverse kvaliteter kazunoko, november 1986 og 1987

Examples of price levels for various qualities of kazunoko

KAZUNOKO WHOLESALE SALES - OSAKA

SIZE	CANADA/CENTRAL 1987	CANADA/CENTRAL 1986	BRISTOL 1987	BRISTOL 1986	EUROPE 1987	EUROPE 1986
XXL	Y 6,700	Y 6,850	Y 5,500	Y 5,500	-	-
XL	Y 6,600	Y 6,800	Y 5,500	Y 5,500	-	Y 4,500
L	Y 6,300	Y 6,700	Y 5,500	Y 5,500	Y 4,500	Y 4,600
M	Y 5,800	Y 6,000	-	Y 5,000	Y 4,000	Y 3,800
S	Y 5,500	-	-	-	-	-
B/L	Y 5,900	Y 6,000	-	Y 5,000	-	Y 3,600
B	Y 5,800	Y 6,000	-	Y 5,000	-	Y 3,600
B/2	Y 5,600	Y 5,400	-	Y 4,750	-	Y 3,000
B/3	Y 5,400	Y 5,000	-	Y 4,400	-	Y 2,700
B/4	-	Y 3,300	-	Y 2,800	-	Y 1,800

Unit: Yen/kilo.
Note: "B" items represent "broken" roe. Therefore, "B/L" is Broken - Large, etc.

Kilde: Bill Atkinson News Report, 225, 1987.

VEDLEGG 3

APPENDIX 3

Oversikt over toll, importkvoter og andre reguleringer for import av fiskeprodukter 1986.
Kilde: INFOFISH

Summary of duties, import quotas and other regulations for import of fish products 1986.

CODE	CATEGORIES	DUTY				
		General (%)	GATT (%)	Preferential (%)	Temporary (%)	GSP (%)
03.01	Fish - fresh (live or dead), chilled or frozen:					
	A. Aquarium or ornamental fish					
110	1) Carp and gold fish		(5)		5	
190	2) Other		(2.5)	Free	2.5	Free
	B. Other:					
	1) Fry for fish culture	Free				
211	Eel					
219	Other					
	2) Other:					
	a) Nishin (genus Clupea) and hard roes thereof, Tara (genus Gadus, Theragra and Merluccius) and hard roes thereof; Buri (genus Seriola), Saba (genus Scomber), Iwashi (genus Etrumeus, Sardinops and Engraulis), Aji (genus Trachurus and Decapterus) and Samma (genus Cololabis)	(10)				
	Fresh (live and dead) or chilled (excluding fillets):					
221	Nishin					
222	Tara					
223	Buri					
224	Aji					
225	Samma					
226	Saba and Iwashi					
227	Hard roes of Nishin		8.3			
228	Hard roes of Tara					
	Frozen (excluding fillets):					
230	Nishin	10	6.5			
231	Tara	10	7.3			
232	Buri	10	6.5			
233	Aji	10				
234	Samma	10				
235	Saba and Iwashi	10				
236	Hard roes of Nishin		6		6	
237	Hard roes of Tara		6			
	Fillets:					
238	Fresh or chilled					
239	Frozen					

CODE	CATEGORIES	DUTY				
		General (%)	GATT (%)	Preferential (%)	Temporary (%)	GSP (%)
	b) Other:	(10)	(5)		5	
	Live:					
241	Eel					
242	Other					
	Fresh or chilled (excluding fillets):					
243	Skipjack and other bonito					
244	Albacore					
245	Yellowfin tuna					
246	Bluefin tuna					
247	Big-eye tuna					
248	Other tuna					
251	Swordfish					
252	Salmon					
253	Spanish mackerel					
254	Hairtails					
255	Croakers					
256	Sea breams		3.3			
257	Shark	4.1	3.5			
260	Fugu					
261-1	Barracouta (family Sphyraenidae and Gempylidae) and king-clip		3.0			
261-2	Other					
	Frozen (excluding fillets):					
262	Skipjack and other bonito					
263	Albacore					
264	Yellowfin tuna					
265	Bluefin tuna					
266	Big-eye tuna					
267	Other tuna					
268	Swordfish					
271	Salmon					
272	Spanish mackerel					
273	Hairtails					
274	Croakers					
275	Sea breams		3.1			
276	Shark		3.5			
277	Shishamo		4.1			
278	Fugu					
279-1	Barracouta (family Sphyraenidae and Gempylidae) and king-clip		3.0			
279-2	Other		5.0			
	Fillets:					
281	Fresh or chilled					
	Frozen:					
282	Tuna and swordfish					
289	Other					

ODE	CATEGORIES	DUTY General (%)	GATT (%)	Prefer-ential (%)	Tempo-rary (%)	GSP (%)
.02	Fish - dried, salted or in brine; smoked fish, whether or not cooked before or during the smoking process:					
	A. Hard roes:	(15)				
110	1) Hard roes of salmon		5.0		5	
120	2) Hard roes of Tara (genus Gadus, Theragra and Merluccius)	15	7.5			
131	3) Nishin roes on a bed of tangles	15				
139	4) Hard roes of Nishin (genus Clupea)		12.8		12	
190	5) Other		(4.0)	Free	4	Free
	B. Other:					
	1) Salted, in brine or dried:	(15)				
211	a) Fish meal fit for human consumption	15				
	b) Other:					
212	Cod, not in fillets, dried, whether or not salted	15				
213	Herring	15				
214	Salmon				12	
219	Other	15				
	2) Smoked:	15				
220-1	a) Salmonidae, Nishin (genus Clupea) and Tara (genus Gadus, Theragra and Merluccius)					
220-2	b) Other			10		
.03	Crustaceans and molluscs, whether in shell or not - fresh (live or dead), chilled, frozen, salted, in brine or dried; crustaceans in shell, simply boiled in water:					
	A. Shrimps, prawns and lobsters:					
	1) Fresh (live or dead), chilled or frozen	(10)	(3.1)		4	
111	a) Live					
	Fresh (dead), chilled or frozen					
112	b) Ise-ebi		3			
119	c) Other					
120	2) Other	(15)	(7.5)	4	6	
	B. Other:					
	1) Fresh (live or dead), chilled or frozen	(10)				
11	a) Crabs		3		6	
12	b) Cuttlefish and squid	10	5.0			
13	c) Octopus	10		5		
14	d) Abalone	10				
15	e) Hard clam				5	
16	f) Adductors of shellfish	10				
19	g) Other	10				

CODE	CATEGORIES	DUTY General (%)	GATT (%)	Prefer-ential (%)	Tempo-rary (%)	GSP (%)
	2) Other:	(15)				
211	Cuttlefish and squid	15				
	Hard clams:					
222	Salted or in brine				7.5	
223	Other	15		9		
229	Other	15				
16.04	Prepared or preserved fish, including caviar and caviar substitutes:					
	A. Caviar and caviar substitutes	(20)	(10)	4.8	6.4	4.8
110	1) Ikura					
190	2) Other					
	B. Other:	(20)				8
	1) Hard roes:					
	a) Of Nishin (genus Clupea):		16		12.8	
211	In airtight containers			9.6		
219	Other					
	b) Of Tara (genus Gadus, Theragra and Merluccius):					
211	In airtight containers			9.6		
219	Other					
220	c) Other		(10)		6.4	
	2) Other:		(15)		12	
	a) In airtight containers:					
231	Sardines			7.2		
232	Salmon					
233	Skipjack and other bonito			6.4		
239	Other			7.2		
	b) Other			7.0		
241	Bonito and the like, boiled and dried					
249	Other					
16.05	Crustaceans and molluscs, prepared or preserved:					
	A. Smoked:	(15)				
	1) Shrimps, prawns and lobsters		(7.5)	Free	4.8	
120	2) Cuttlefish, squid, scallops and adductors of shellfish				9.6	
190	3) Other			6.4	9.6	
	B. Other:	(20)				
	1) Shrimps, prawns and lobsters:					
211	a) Chilled or frozen after being simply boiled in water or in brine		(15)		4 4.8	
212	b) Simply boiled in water or in brine; salted, in brine or dried, after simply boiled in water or in brine				6	
219	c) Other		(7.5) (9.4) 9.2	6	6	

	CATEGORIES	DUTY General (%)	GATT (%)	Preferential (%)	Temporary (%)	GSP (%)
	2) Other:					
	a) Cuttlefish and squid:		(15)		15	
3	In airtight containers			9		
9	Other					
	b) Other:			9	12	
3	Abalone, in airtight containers		(15)			
	Crab:					
1	In airtight containers		7.6	6.5	6.5	
9	Other		(15)	7.2	9.6	
	Other:					
9	In airtight containers					
9	Other					
1	Fats and oils, of fish and marine mammals, whether or not refined:					
00	A. Fish oil	10 (or 6Yen/kg)				
00	B. Whale oil	Free	(Free)			
00	C. Liver oil	10	5			
	D. Other	10	5			
10	1) Fish fats					
20	2) Oils and fats of marine mammals					
1	Flour and meal of meat, offals, fish, crustaceans or molluscs, unfit for human consumption; greaves:	(Free)				
	A. Flour and meal, of fish:					
11	1) For a quantity stipulated by a Cabinet Order, based on an estimated domestic demand and prospective national production (Fiscal year: April-March)				Free	
19	2) Other				17 Yen per kg	
20	B. Flour and meal of crusteceans or molluscs	Free	Free			
10	C. Flour and meal of meat or offals of whale	Free				
90	D. Other	Free	Free			

General duty rates refer to countries with no trade agreements with Japan.

GATT rate of duty refers to signatory countries' General Agreements on Tariffs and Trade.

Preferential rate of duty refers to countries which have concluded a special trade agreement with Japan.

Temporary rate of duty is the tariff which is temporarily applied to countries which are normally subject to general rate or GATT rate of duty.

GSP - General System of Preference rate applies to ACP, CP, LDDC and MED countries. See G.S.P. section for further details.

IMPORT QUOTAS

Seasonal

None.

Global

Japan prepares a global quota for 98 countries; normally the following products are allocated:

Squid / Cuttlefish listed under Code 03.03 live, fresh, salted or in brine (excludes sepia). Quota is normally allocated twice a year following fiscal year 1 April to 31 September, and 1 October to 31 March. For the first half of fiscal year 1985, the quota was 18,000 metric tons. For the second half of 1985/86, the quota was 28,000 metric tons. This quota does not include the quota allocated to Japanese fishing vessels operating in foreign waters.

Dried squid listed under Code 03.03 is allocated once a year in February-March. The allocation for fiscal year 1986 was 3,500 metric tons.

Kelp under Code 12.08 is allocated once a year in May-June. For fiscal year 1985 the quota was 1,660 metric tons. The allocation for 1986 is expected to be the same.

Fresh and frozen pollock under Code 03.01 has been combined into a new separate quota called the "Global Quota on Pollock". The new quota includes all pollock and pollock products except for pollock roe (Tara-Ko) and smoked pollock products. The all-inclusive quota for the first half of fiscal year 1985 (April-September) was 270,000 metric tons. The second half of 1985 (October-March) was 400,000 metric tons.

Herring under Code 03.01 - live, fresh, chilled and frozen, and Code 03.02 - salted or in brine, is allocated twice a year, usually in June for the first half of the fiscal year and in November for the second half. For the first half of fiscal year 1985 35,000 metric tons were allocated; for the second half of 1985/86 33,000 metric tons.

Edible seaweeds under Code 12.08 is allocated once a year in May-June. For 1985, 100 metric tons or 250 million pieces were allocated. The same quota is expected for 1986.

Fish and shellfish under Codes 03.01, 03.02 and 03.03 include the following products: Gray cod, yellowtail, mackerel, anchovy, sardines, jack mackerel, scallop, adductors of shellfish and small boiled/dried fish for soup flavouring has a quota allocated twice a year, normally in June for the first half and in November for the second half of the fiscal year. The first half of fiscal year 1985 was US$ 270,000 for each species. For the second half of 1985/86 the allocation was US$ 400,000 for each species.

Cod roe and pollock roe under Code 03.01 fresh or frozen, and Code 03.02 salted is allocated a quota twice a year, normally in September for the first half and in February-March for the second half of the fiscal year. Allocation for fiscal year 1985 was 14,000 metric tons, and the same is expected for 1986.

Bilateral

Two import quotas on pollock are not immediately affected by the New Global Quota on pollock. They are: (a) the annual global quota on fresh pollock, given exclusively to the USSR in the amount of 65,000 metric tons, and (b) the annual global frozen pollock quota in the amount of 5,000 metric tons, given to North Korea. Since both these global quotas are given exclusively to two countries, they must be considered bilateral quotas. Both these quotas will eventually be consolidated into the New Global Quota on pollock.

Japan has a bilateral agreement with Korea covering **dried laver seaweed** under Code 12.08. The quota is given once a year. For fiscal year 1985 the quota was 260 million sheets and the same quota is expected for fiscal year 1986.

Tariff Quota

Japan allocates a global quota for 100,000 metric tons of **fishmeal**, out of which the first 70,000 tons are duty-free. A duty of YEN 17,000 per ton is imposed on the balance.

INISTRATIVE REGULATIONS

Licensing

Imports of fish and fishery products which fall under the import quota require an allocation quota from the Ministry of International Trade and Industry before the importer receives an Import Quota Certificate which entitles him to receive an import licence. If the imports do not fall under the quota system, they are free of quantitative restriction and licensing and require only a declaration by the importer to a Foreign Exchange Bank.

Foreign Exchange

Obtained through authorized banks.

Prior Deposit

None.

Customs Evaluation

Duties are based on ad valorem on C.I.F. value, or in some cases specific YEN per kg. A self-assessment system designed to expedite customs clearance allows prior calculation of duty by importers.

Import Surcharge

None.

NICAL REGULATIONS

Health Standards

The Ministry of Health and Welfare carries out inspections of all imported fish products at the Food Quarantine Station Offices, located at 19 major seaports and airports. This inspection is based on the Japanese Food Inspection Law, which governs the health standards for all food products.

Product Specification Standards

In view of the rapid increase in Japanese fish imports in recent years and the increasingly important role of imported fish in the Japanese diet, both the consumers and the Health Authorities are becoming acutely aware of the question of sanitary regulations. As a result of this, Japan has formulated specific requirements as to quality, form, shape, temperature, foreign substance, additives, antiseptic, smell, flesh conditions, bacteria count, packaging, etc., which have to be met before the product will be permitted on the Japanese market. The requirements are set forth in the Japanese Food Sanitation Laws.

Labelling and Marking Standards

Goods should be labelled and marked according to normal commercial practice. Fishery products must have a sticker attached to each package after importation showing in Japanese a detailed description of contents, including artificial colourings or preservatives, name and address of importer and date of importation. Containers of canned and frozen fish must be marked and labelled in metric measures, even though responsibility for metric measures rests with the Japanese distributor.

Packaging Standards

Packages used for fish shall comply with the standards of container-packages used for general foods under the Japanese Food Sanitation Law.

OTHER REGULATIONS AFFECTING IMPORTS

Discriminatory Licensing of Traders

The Japanese Government does not issue licensing of traders, but for certain fishery products they m allocate the total quota to specific trading groups, thereby eliminating other interested traders.

State Trading

None.

IMPORT REQUIREMENTS

Documentation

(a) AIR WAYBILLS :
Nine copies required on standard IATA forms.

(b) PRO FORMA INVOICE :
No particular requirements.

(c) COMMERCIAL INVOICE :
A minimum of three copies required.

(d) CERTIFICATE OF ORIGIN :
Required for products eligible for concessions granted under GATT.

(e) BILL OF LADING :
A minimum of three copies - signed original, and two unsigned.

(f) PACKING LIST :
Not required, but recommended.

Weight and Measures

Metric system.

Insurance

Normal commercial practice.

Methods of Quoting and Payment

Quotations in US$ on Letter of Credit basis are most common; however, since there is no legislati requirements, methods of quoting and payment are left to the importer/exporter.

Trade Samples

Trade samples may be imported duty-free on a temporary basis, under A.T.A. Carnet, or under deposit bond. When dispatching samples, allow for clearance delays - by ship up to 14 days, and by air about 3 day

IMPORT POLICY

Present

Japan regulates the import of fish and fishery products through quotas and selective issuance of import licences for these quotas. The policy is justified in order to protect domestic industry, in particular for fish species, which can be caught in large quantities off the coast of Japan and are more vulnerable to imported fishery products.

Future

In order to keep up with the growing demand for seafood, a liberalization can be expected to enable Japan to meet this demand. A series of self-initiated improvements and other measures have already been taken in that direction by the reduction of duty on a large number of fish products this year.

GOVERNMENT AGENCIES INVOLVED

Licensing and Quotas

Ministry of International Trade and Industry, 3 Kasumigaseki 1-Chome, Chiyoda-Ku, Tokyo. Telephone: (501) 1511. Telex: 22916 EIDMITI.

Health and Product Specification Standards

Ministry of Health and Welfare, 2 Kasumigaseki 1-Chome, Chiyoda-Ku, Tokyo. Telephone: (503) 1711.

Customs Clearance and Duty

Tokyo Customs Bureau, 5-30 Konan 5-Chome, Minato-Ku, Tokyo. Telephone: (03) 471-6411, Ext. 206.

GENERAL TRADE INFORMATION

Government Trade Agency

Japan External Trade Organization, Akasaka Aoi-Cho, Minato-Ku, Tokyo 1007. Telex: KDD 24378 JETRO J24378.

Private Trade Agency

Japan Marine Products Importers Association, Yuraku-Cho Building 1014, 10-1, 1-Chome, Yuraku-Cho, Chiyado-Ku, Tokyo. Telephone: (212) 8636. Cable address: FISHIMPORT.

Credit Reference

Dun & Bradstreet Reporting Office, Rosei Building, 4 Higashi-Azabu-Chome, Minato-Ku, Tokyo.