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In high demand

BIG BUSINESS: Eastern Fisheries' New Bedford, Mass., scallop plant. The company handles around 20 million pounds of scallops each year.

Scallops have stood tall during the downturn, but what do major players see when they look toward the future?

Ewen Cook

It is a rare treat to find scientists, politicians and major wild seafood producers singing harmoniously from the same hymn sheet. But when it comes to American sea scallops, there is barely a bum note to be heard.

Stellar management and a clockwork annual supply of between 55 million to 63 million pounds (24,948-28,576 metric tons) for the past four years has shielded

the world's largest scallop fishery from the worst impacts of the global economic fallout, and the market for these high-value specimens is defiantly broadening.

"We're one of the most successful examples of where industry, academia and government have put together a comprehensive harvesting plan that's allowed our resource to be extremely sustainable," said Joe Furtado, executive vice president of Eastern Fisheries, one of the two biggest scallop players in the world, along with Canadian giant Clearwater Seafoods. Eastern has annual sales of \$125 million (€89.7 million).

"Overall, the global scallop market is down in terms of pricing about 15 percent from where it was this time last year," he said.

"However, we were quite surprised to see a market adjustment happen this fishing year – because we assumed we had escaped it having got to the end of last year doing really well. We were waiting to start to feel the effects of the downturn,

but it never came. It was simply a great year for us, and total overall poundage for the year to date is very similar to last year."

Furtado, whose company handles some 20 million pounds (9,072 metric tons) of scallops annually, admits some consumers will pull back from higher-value products when the going gets tough.

But the U.S. fishery's ability to consistently yield meat counts of between 14 and 15 per pound is helping it set the tone in a buoyant,

quality-focused marketplace.

The U.S. Atlantic scallop fishery is continuing to ride a wave that started in 2001, when the government's comprehensive rebuilding plan saw the scallop population restored to sustainable levels.

A combination of effort reduction, gear restrictions and closed areas, implemented in 1998, has seen the annual harvest leap from around 13 million pounds to the 60-million pound mark in a little more than five years.

Worth between \$350 and \$400 million (€251 and €287 million) annually, the U.S. scallop industry has seen its exports to the EU increase fiftyfold compared with the mid-1990s.

"It's been producing fantastically, and biologists and scientists are predicting a bumper year next year," said Dick Martin, CEO of Black Pearl Seafood, a major exporter of U.S. sea scallops. "It's one of the few world fisheries where we're seeing production increases year on year, and it's because it's being managed properly."

Demand steady

"The interesting thing about the market right now is that as long as you adjust your pricing, even if that means selling at an operating loss, all the product will be sold. In other words, people like scallops," said Elihai Radzinski, director of Sea Protein S.A., an emerging producer of farmed Peruvian scallops (*Argopecten purpuratus*).

"Chile was the largest farmer of large-count, roe-on scallops in South America, but over the past few years Peru has developed a much larger industry. The European market is beginning to specifically request our scallops – and not necessarily accept an alternative," he said.

Sea Protein is set to produce between 800 metric tons and 1000 metric tons per year by the end of 2010, exporting most of its scallops to France. Supply and price fluctuations remain an issue.

"Overproduction means the price can drop – as it did from the end of 2008 – but if there is a shortfall then the price can skyrocket – as it did during the first half of 2008. It is a huge rollercoaster," Radzinski said.

U.S. sea scallop producers, by contrast, continue to bask in the remarkable consistency of their harvests.

"What really helps us maintain is the excellence of the management



MAKING INROADS: Black Pearl's sea scallops have enjoyed considerable U.K. penetration via a distribution deal with M&J Seafood.

Eco-labels in sight?

Following the lead of the first MSC-certified scallop fishery -- the trawled Patagonian scallop fishery, for which certification was granted to Clearwater's Argentine subsidiary, Glaciar Pesquera SA, in 2006 -- the eastern Canada offshore scallop fishery is under MSC assessment, scheduled for completion before the end of this year.

Both north and south of the border it is an issue under fierce discussion, with the U.S. fishery entering the MSC process at a preliminary level.

"Through the American Scallop Association, of which we are a member, the U.S. scallop fishery has gone through the pre-assessment phase for MSC," said Joe Furtado, executive vice president of Eastern Fisheries. "We haven't fully determined as an organization whether we're going to continue to move forward with the full assessment, but all indications are that we are moving towards obtaining full certification from MSC."

For an industry as proud of its excellent management as the U.S. scallop fishery, private certification is a difficult decision. "It's a tough call," said Dick Martin, CEO of Black Pearl Seafood. "The market is broadening on the product already, the management is a good as anything out there, so the question is how you identify that sustainability quotient to the consumer?"

plan," said Martin. "The U.S. is showing that its system is succeeding on different levels, more so than the quota-based Canadian system."

Despite Peru's success, "really there have been no emerging new players on the global marketplace for scallops in recent years," said Furtado, with Canada, Japan and China still the most commercially viable competitors to the United States.

The top five producing countries -- China, Japan, United States, Argentina, Canada -- account for more than 90 percent of world production. The United States is the No. 1 importer, followed closely by France, and the No. 2 exporter after China.

"Over the last six to seven years, the Chinese sea scallop fishery has grown much more quickly and has an equal standing now with its enormous bay scallop fishery," Furtado said.

"But, overall, most of the pressure we're feeling domestically is coming from our Japanese counterparts because their exchange rate has dropped to as low as 93 yen to the dollar. Last year, Japanese exports to the U.S. were double what they were the previous year. We

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Joe Furtado, Eastern Fisheries

bought just upward of five million pounds of Japanese scallops last year, making the total coming into the country around the 12 million to 15 million pound mark, which is a lot."

Europe a safer bet

While the domestic-focused Eastern exports around 20 percent of its scallop haul to Europe -- the company is also among the top two or three U.S. importers of all the major global scallop fisheries -- Black Pearl completely abandoned the domestic market in 2002 in favor of steadier, more consistent European buyers.

Close to 100 percent of the company's scallops go to the European



RESPONSIBLY SOURCED: American sea scallops benefit from one of the world's most successful fishery management programs.

Union, and it is on course for an estimated \$5 million to \$10 million (€3.6 to €7.2 million) in overall exports this year.

"It's building very well, especially in the U.K.," where the Black Pearl brand is sold exclusively through M&J Seafood, said Martin. "We haven't seen a downturn in a number of years, in fact. We've have our flat periods, but every year we've sold more than the previous year."

Once again, consistency of quality is key. Sea scallops have a limited geographical movement, thus lending themselves to targeted management.

"When the U.S. opens up a new area, the boats go in and they steadily catch a size, for example a 10-20 count, and it simply doesn't fluctuate very much," said Martin. "But when you look at other national quota systems, the meats counts are continuously getting smaller as a result of mismanagement."

"Thankfully, the EU appreciates this a lot. For us, it's a high-growth market. Even when the dollar was gaining strength through 2008, I was really astounded the European customers and customers from the U.K. were very resilient. It didn't really slow consumption or purchasing down," he said.

"The European consumer seems to be that little bit more consistent. And, now that we see the pound gaining strength and the pricing of scallops has fallen off -- and it might fall off a bit more -- that's also good news. It's going to propel a wider consumption pattern in

Europe."

The future of the scallop market will be dominated by frozen-at-sea (FAS) products, said Bernard Leger, vice president of sales and marketing for Europe and Asia for Ocean Choice International.

Ocean Choice, an active partner in the eastern Canada offshore scallop fishery's MSC certification process, owns 17 percent of the Canadian offshore quota. Ninety percent of the scallops it harvests are FAS.

"FAS has now become the leader to fresh-caught; in fact, it has redefined the notion of freshness," he said. "Scientifically, FAS outperforms fresh on cooking yields and drip loss."

This view is supported by a frustrated industry source, who said, "The fact that FAS is 'fresher' is understood by most of us in the resource, but our efforts to deliver a better product to the market are continuously frustrated by culinary professionals, many with Michelin stars, who continue living in the 1950s, insisting they will only use 'fresh' products."

"When scallops go into a spawn they lose texture and become an inferior product," said Martin.

"By plate-freezing onboard and preserving the quality, a scallop's adductor muscle tissue freezes very well, and the Europeans were willing to work with the frozen material if it could get them past that spawn hump.

At first it was met with trepidation, but we've proven that it makes a nice, consistent product year-round."

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