

Tillion

## MEMORANDUM

TO: Don Rosenberg, Director, Alaska Sea Grant Program

FROM: Abby H. Gorham, Assistant Professor, Alaska Sea Grant Program

SUBJECT: Report on Trip to Japan, October, 1977, to conduct research associated with the market demand and marketing channels of tanner crab

DATE: November 8, 1977

I arrived in Japan on the 12th of October and was joined by Frank Orth on the 17th. We adopted the "divide and conquer" interviewing tactic during our stay. I concentrated on demand and world supply aspects, and general business feeling about the future of the tanner crab industry from the Japanese point of view. Frank targeted on marketing channels. I will review here, some general impressions I formed during the course of my interviews.

I talked with representatives from four fishing companies (Taiyo, Nichiro, Nippon Suisan and Kyokuyo), four trading companies (Marubeni, Mitsui, Mitsubishi and C. Itoh), and one distributor that domestically handles a large volume of tanner crab, Nippon Reizo.

Nippon Suisan (Morpac) and Taiyo (B & B), it was generally agreed, controlled the market in Japan for Alaskan tanner crab. The biggest operation in tanner crab, however, is Pan Alaska (Bumble Bee) which is 100 percent U.S. ownership. The most aggressive American market builders (Japanese ownership) are Nippon Suisan (Gelman Bros., formerly Vita) and Marubeni.

The interesting thing concerning our recent quota decision is that the trading companies who don't engage in fishing operations handle the largest volume of crab. It makes little difference to them whether the U.S. or the Japanese harvest the crab, in fact, it is possible they could increase their market power over the fishing companies as a result of the quota limitation. The fishing companies, on the other hand, are feeling the pinch the most. It was obvious without actually knowing the name, whether one was interviewing a trading company or a fishing company by the viewpoints expressed about the recent U.S. quota decisions on tanner crab.

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For example, Kyoguyo stated quite flatly that to be competitive in Japan, harvesting price for tanner crab should be around 22¢ a pound. Price for tanner crab this past year was in the 30 - 37¢ a pound range and did not appear to lose many buyers. 60 - 70 percent of Alaska tanner crab (bairdi) that goes to Japan goes to restaurants and gourmet-type shops. It would appear to me with this type of market clientele, price increases can more easily be passed on to the consumer (i.e., higher restaurant prices) than in other types of markets.

On the other hand, some comments by fishing companies contained some insights which might in fact turn out to be true. Nippon Suisan was concerned that if tanner crab becomes a largely imported product through the trading companies, the stability of price may be affected. This in general is quite true. Import prices are far more dependent on the vagaries of the economies of other countries than prices of domestically produced products. However, it must at the same time be remembered that one of the primary motivations in forming multi-product/multi-national concerns is to assure a constant supply and stable price. This most certainly is of utmost concern to trading companies as well as fishing companies.

The other item of extreme concern from the viewpoint of the fishing companies was that harvesting opilio north of 58° will be costly and not competitive price-wise with opilio caught in waters closer to Japan. Except for the larger sizes of opilio, the bulk of it does not enter the same market as bairdi (i.e., the restaurant, gourmet circuit). And, if it cannot compete price-wise with opilio produced elsewhere, they feel consumers will not buy it.

The situation with the Soviet Union is generally unknown at present. The U.S.S.R. produces a passable canned product but has little expertise in frozen packaging. All the tanner crab present in Soviet Union waters are opilio and generally run in the smaller size categories.

There was one rumor that Taiyo is negotiating now with the Soviet Union to purchase crab off of Soviet harvesting vessels for transport to Japan for processing, but I expect this is not going to happen immediately as the U.S.S.R. would have to gear-up to harvest tanner crab.

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The general picture from the distributor (Nippon Reizo) was that distribution of fish products in general has been changing due to four basic reasons:

1. Household consumption of fish products is trending downward in relation to beef, pork, poultry, and restaurant consumption is increasing.
2. Trucks are increasingly being used for transport rather than railroads as roads have improved.
3. Increase of frozen products.
4. Imports becoming a large percentage of consumption.

Their stance on the crab issue is rather neutral since no matter where the crab comes from, it has to be kept in a freezer. This attitude, I think, is probably the key to the whole Japanese viewpoint. They do not really expect any decrease in crab supply as a result of the quota. They will just buy more U.S. caught crab and it will come into Japan via trading companies more often than through fishing companies and this has somewhat upset the balance of power between those two groups. This may ultimately reflect in fishing company investment strategy in the near future.

One additional item of interest; the Snow Crab Market Survey. California Region done by the National Marine Fisheries Service at Terminal Island, California indicated 189,000 pounds of frozen crab was imported from Japan in 1976 to California. Rather than being an indication of an infant market for frozen tanner crab, this situation occurred as a result of a Japanese company buying crab and not being able to sell it on the Japanese domestic market at a favorable price, so they in effect dumped it on the California market. This does not ordinarily occur, i.e., there is no re-export, per se, of frozen tanner crab. Japanese processing ownership within the U.S. supplies the U.S. market directly. This U.S. market, incidently is considered (by the Japanese) to be the most dynamic at present.

Overall, I think the trip was enormously successful and well worth the expense involved. Aside from the actual hard data gathered, which is prodigious in quantity, the perspective gained was invaluable.

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Clint Atkinson is to be commended on the meeting arrangement end of it. I am sure between his knowing people and embassy endorsement of the trip through the National Sea Grant Office, we got a lot farther than we otherwise would have.

The Japanese were candid, courteous and extremely helpful, even when questioning delved into potentially sensitive areas.

Overall, I am immensely pleased with the results of the efforts of all involved.

AHG:mk