



CANADA: Aquaculture Equipment Industry

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Summary

While aquaculture is a mature industry in Europe, it is fairly new in North America, emerging in Canada in the 1970s. British Columbia and the Maritime province of New Brunswick are frontiers of the aquaculture industry within Canada. Government and industry professionals feel positive about the future and predict a slow increase in the aquaculture production in the years to come. With the shift in Western societies to eat healthier, the likely demand for seafood products will increase. This bodes well for the industry as a whole and suppliers of aquaculture equipment.



Market Demand

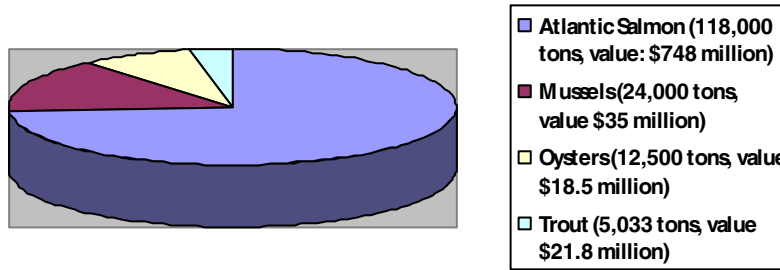
Based on 2007 Canadian Aquaculture Statistics, commercial aquaculture production has become an increasingly significant sector in Canada, valued at \$902 million. Seafood is the largest single food commodity exported by Canada. Aquaculture now accounts for 14% of total Canadian fisheries production and 33% of its value. Nationally, the consumption rate of aquaculture products, such as fin fish and mollusks are increasing, creating a demand for improved methods to increase production. In 2006, fin fish sales were valued at \$867.2 million, a 26% increase from 2005. At the same time, revenue from mollusks increased 4.1% to \$71.7 million.

In Canada's 2008 Budget, the Federal Government has set an aggressive goal for 2015 to double the aquaculture industry value. An investment of \$22 million over the next two years will help create the conditions for the Canadian aquaculture industry to succeed and grow in an economic and environmentally sustainable manner. This investment will streamline the regulatory process, strengthen science to create performance-based environmental standards, spur innovation to enhance the sector's competitiveness and productivity, and develop a certification scheme to meet rigorous quality standards in international markets. This bodes well for US firms who manufacture products and equipment used in the aquaculture industry. Experts say there are still challenges to overcome, but feel positive about the future of the Canadian aquaculture industry. They predict a slow increase in aquaculture production in the next few years, mainly with expansion of existing farms. The increase will be larger on the east coast of Canada over the west coast.

Market Data

In 2007, Statistics Canada recorded 170 thousand tons of aquaculture production, worth an estimated \$902 million dollars. This was a rise of over 10% from the previous year. Annual Canadian exports of aquaculture products rose to \$516 million in 2006, an increase of 18.6% over 2005. The largest production with values of \$327 million and \$136 million came from the provinces of British Columbia and New Brunswick respectively. The largest species of Canada's aquaculture industry will continue to be Atlantic Salmon, Mussels, Oysters and Trout. Top export markets of Atlantic Salmon are the United States, Japan and Taiwan.

Figure 1: Largest Production of Aquaculture species in Canada



Aquaculture Equipment Statistical Data:

Note: specific aquaculture equipment trade statistics were unobtainable for this report. The following list is equipment used in the Aquaculture industry, listed by the Harmonized Systems code. Table 1: Statistical Data relates only to this equipment listed.

HS Code	Product/Product Description
3901	Plastics (polymers of ethylene)
3917	Tubes, pipes, hoses and fittings, made of plastics
5608	Nets
730900	Steel tanks
731420	Steel netting or fencing
841370	Centrifugal pumps
890590	Floating docks and light vessels
890790	Buoys, beacons, pontoons, floating structures
900630	Underwater cameras

Table 1: Statistical Data

	2005 in millions \$	2006 in millions \$	2007 in millions \$	2008-2009 Estimated
Total Imports	1.806	2.102	2.048	2.151
Total Exports	3.916	4.587	4.618	4.649
U.S. Imports	1.56	1.836	1.771	1.859
U.S. Market Share	86.3	87.3	86.4	86.4
Exchange Rate	0.847	.08470	1.100	1.100
Inflation Rate	2.0%	2.0%	2.0%	2.0%

Source: Industry Canada (www.strategis.ic.gc.ca) Shown in U.S. Dollars.

Best Prospects

There are three main segments in the aquaculture equipment market: cage systems, feed systems, and software. Each segment offers opportunities to U.S. manufacturers and differs from province to province, sometimes depending on weather and climate changes. For example, in British Columbia steel cages are used more commonly; while aquaculture farms in the Maritimes traditionally use plastic cages. Plastic cages are preferred because they are more flexible than steel, suiting the cold weather and strong waves, typical of Maritime sea conditions.

There is potential to expand technologically because energy-efficient aquaculture methods are in demand. There is an expansion of existing farms due to limited new licensing. Other opportunities exist for polyethylene tanks, fiber tanks, aluminum cages, netting, fertilizer and feed, boats, motors, processing equipment and packaging.

Aquaculture farmers feel that “quality and commitment” are key components in final purchasing decisions. Equipment must be consistent and even minor details, such as size of the mesh, is crucial to the durability of woven nets. Dedication and patience is required from the manufacturers and distributors in order to build a long-term relationship with aquaculture farms in Canada.

Key Suppliers



Major foreign manufacturers of aquaculture equipment exported to Canada are from Norway, Chile, and Ireland. A major domestic manufacturer is the AKVA Group Canada Inc. with its head office located in Norway. Its products include steel and plastic cages, feed systems and software. AKVA Group Canada Inc. dominates the market in Canada because it offers both diversity in all niche markets and availability through localization. They distribute 80 % of their products to Canadian companies and export 20 % to the United States. Other key domestic suppliers to the Canadian aquaculture market include Integrated Aqua System Products, Syndel International Inc, Acadian Seaplants Ltd, Satalantic Incorporation, and Vemco Ltd.

Prospective Buyers

The largest Canadian aquaculture farms are owned by Mainstream Canada, Grieg Seafood Canada, Marine Harvest, Cooke Seafood, Gray Aqua Farms and Creative Salmon Co.

Current trends within the past five years have included the consolidation of aquaculture farms and aquaculture equipment companies. The limited number of aquaculture farms forces manufacturers and distributors to remain as a source of supply for replacement or maintenance parts. Manufacturers and distributors must adapt to the acquisitions of traditional aquaculture farms, requiring larger provision services from the major aquaculture farms.

Most aquaculture farms prefer to purchase equipment based on quality and service, leading back to companies in Norway and Chile, where products are more technologically advanced due to their experience and longevity in this industry. Aquaculture farms will purchase from local suppliers depending on the longevity and reliability of the relationship between the purchaser and supplier.

Market Entry

In Canada, there are two traditional distribution channels that prevail: direct sales to the aquaculture farms; and selling through distributors. Given the limited number of competitors, many manufacturers of heavy equipment (with a large initial capital cost) sell directly to the aquaculture farms. Manufacturers of less expensive, smaller pieces of equipment, often sell through local distributors.

Whether a U.S. firm plans to sell directly or through a distributor, it is imperative that the firm's product(s) is established with an aquaculture company's purchasing department. The key decision criteria employed by aquaculture firms is quality and commitment for the equipment they purchase.

Market Issues & Obstacles

Government regulations:

The Canadian aquaculture industry is regulated by two levels of government. The majority of site approvals and day-to-day operations are overseen at the provincial and territory level, while the federal role (Department of Fisheries and Oceans) is responsible for research, technology transfer, training and development, access to financing and environmental sustainability relating to the industry. Other related and governing departments include Agriculture and Agri-Food Canada, Environment Canada, Health Canada, and bodies such as the Pest Management Regulatory Agency, the Canadian Food Inspection Agency and others.

Exporting from the USA:

All electrically powered products sold in Canada must comply with the standards established by the Canadian Standards Association (C.S.A.), Canada's largest standard writing body. Information pertaining to these standards and pre-import requirements can be viewed at <http://www.csa.ca>.

Thanks to the North American Free Trade Agreement (NAFTA), American made products enter Canada almost entirely duty free. NAFTA came into force on January 1, 1994 and replaced the U.S.-Canada Free Trade Agreement that was implemented in 1989. The phase-out of tariffs between Canada and the United States was completed on January 1, 1998, except for tariff-rate quotas (TRQ) that Canada retains on certain supply managed agricultural products. Canada still maintains some non-tariff barriers of concern at both the federal and provincial levels, impeding access to the Canadian market for U.S. goods and services. However, recent studies show that 99 percent of all trade passes across the border without incident or without controversial trade restrictions. Many Canadian standards are harmonized with U.S. standards.

Doing business in Canada is not, however, exactly the same as in the United States, and U.S. companies should be aware of the discrepancies. While customs documentation, bilingual labeling and packaging requirements and Canadian federal and provincial sales tax accounting may seem onerous at first compared to domestic shipments, most exporters find that with a little experience, they can master the requirements. There are also many international trade professionals such as customs brokers, freight forwarders and consultants that can, for a fee, handle much of the research and paperwork for smaller exporters without international sales departments.

The key to achieving market penetration for export sales to Canada is making the transaction resemble as much as possible a Canadian domestic transaction for the Canadian customer. One good way to do that is for the U.S. exporter to become a non-resident importer and take the entire importing burden off the shoulders of the Canadian importer.

The official languages in Canada are English and French, while English is the main business language used in most provinces other than Quebec. Since the predominant language in the province of Quebec is the Quebec dialect of French (analogous to the relationship of American English to British English), promotion and packaging need to reflect local needs as well as Quebec's French language requirements.

Unlike the U.S., Canada uses the metric system for trade, however both variations are acceptable.

Trade Events

The Aquaculture Pacific Exchange (APE),
September 25-26, 2008
Campbell River, BC, Canada
<http://www.masterpromotions.ca/aquaculture-pacific-exchange.asp>

Resources & Contacts

Aquaculture Association of Canada - www.aquacultureassociation.ca
Canadian Aquaculture Industry Alliance - <http://www.aquaculture.ca/>
Newfoundland Aquaculture Industry Association – www.naia.nf.net
Prince Edward Island Aquaculture Alliance – www.aquaculturepei.com
Aquaculture Association of Nova Scotia – www.aansonline.com
New Brunswick Salmon Growers Association – www.nbsga.org
Professional Shellfish Growers Association of New Brunswick (Tel: 506-532-8249)
Association des Aquaculture du Quebec (Tel: 819-559-4962)
Ontario Aquaculture Association – www.aps.uoguelph.ca
Manitoba Rainbow Trout Farmers Association (Tel: 204-867-3555)
Alberta Aquaculture Association – www.affa.ab.ca
British Columbia Salmon Farmers Association – www.salmonfarmers.org
British Columbia Shellfish Growers Association – www.bcsqa.ca

Government Links

Fisheries and Oceans Canada - <http://www.dfo-mpo.gc.ca>
British Columbia - [Ministry of Agriculture, Food and Fisheries](http://www.al.gov.bc.ca/fisheries/) <http://www.al.gov.bc.ca/fisheries/>
New Brunswick - [Agriculture, Fisheries and Aquaculture](http://www.gnb.ca/0027/index-e.asp) <http://www.gnb.ca/0027/index-e.asp>
Newfoundland and Labrador - [Fisheries and Aquaculture](http://www.fishaq.gov.nl.ca/) <http://www.fishaq.gov.nl.ca/>
Nova Scotia - [Agriculture and Fisheries](http://www.gov.ns.ca/fish/) <http://www.gov.ns.ca/fish/>
Prince Edward Island - [Agriculture, Fisheries and Aquaculture](http://www.gov.pe.ca/af/index.php3) <http://www.gov.pe.ca/af/index.php3>

For More Information

The U.S. Commercial Service in Vancouver, Canada can be contacted via e-mail at: Judy.Simonite@mail.doc.gov; Phone: 604-642-6678; Fax: 604-687-6095; or visit our website: www.buyusa.gov/canada

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Comments and Suggestions: We welcome your comments and suggestions regarding this market research. You can e-mail us your comments/suggestions to: Customer.Care@mail.doc.gov. Please include the name of the applicable market research in your e-mail. We greatly appreciate your feedback.

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