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**Sustainable Seafood and
Corporate Social Responsibility:
Sustainable Fishery Advocates (SFA)
and the “FishWise” Label**

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Table of Contents

I. Introduction.....3

II. Depleted resources3

III. Increased aquaculture.....4

IV. The failure of federal oceans management5

V. The beginning of a market strategy.....6

VI. U.S. grocery industry.....7

VII. Natural foods and the core customer.....8

VIII. SFA market strategy.....9

IX. The method: empowered consumers create changes in the market10

X. FishWise Unfolds.....11

XI. Challenges14

XII. Strategies for Increased Program Adoption15

XII. Is sustainable seafood necessarily more expensive?.....19

XIII. The integrity of the supply chain.....21

XIV. “Success” and the future of sustainable seafood.....22

XV. Strategic options23

XVI. Discussion Questions.....24

XVII Interviews25

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I. Introduction

Three years ago, two graduate students in marine science at the University of California Santa Cruz, Teresa Ish and Michelle Benoit, were studying the impacts that an increasing consumption of seafood were having on marine ecosystems. While the beef and poultry industries had recently moved towards the production of organic and free-range products that treated both the animals and the environment in a more sustainable way, the seafood industry was continuing business as usual, to devastating effect. They believed that customers lacked the information to make sustainable choices and that retailers did not necessarily support damaging seafood production practices, but that there was no system in place to help retailers support better techniques. In essence, they wanted to both empower consumers and assist companies to be more socially responsible. With little non-profit experience and no source of funding, they founded the Sustainable Fishery Advocates (SFA). Three years later, in June 2005, despite some notable accomplishments achieved by their FishWise point of sale labeling system, the organization was at a crossroads. It was having difficulty convincing retailers that if they embraced corporate social responsibility, they would be rewarded by increased customer loyalty and the resulting rise in seafood sales. Without the addition of a significant retail chain to the FishWise program, it was unlikely that the Packard Foundation would approve SFA's latest grant proposal.

II. Depleted resources

Despite international agreements, national regulation by many countries around the world, and the efforts of both the fishing industry and conservationists, global seafood

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production is in crisis. As demand for seafood continues to grow, intense pressure has been put on the world's fisheries and aquaculture systems to meet this demand. Consequently, wild stocks have declined dangerously, and aquaculture, with its associated problems, has increased to meet the need. According to *Nature* magazine, 90% of the world's predatory fish are gone.¹ The latest United Nations statistics reveal that 52% of fish stocks are fully exploited, meaning that they are being fished at their maximum biological capacity. An additional 24% are over exploited, depleted or recovering from depletion, with 21% of fish stocks moderately exploited. Only 3% of the world's fish stocks are underexploited.²

Due to fierce competition for scarce resources, industrialized fishing systems employ devastatingly effective techniques to catch the maximum number of fish possible. Unfortunately, these methods often have negative consequences such as the inadvertent capture of non-target species, or bycatch. Because the animals that are caught either are too small, have no commercial value, or exceed the boat's quota, they are thrown back into the ocean either dead or dying. Globally, 44 billion pounds of fish were discarded as bycatch last year. That number represents 25% of the total global catch. Nearly 3 billion pounds of fish were discarded by US fisheries.³ These numbers do not include marine mammals, seabirds, corals, or other non-fish species that are killed.

III. Increased aquaculture

To ease the pressure on wild fisheries, global aquaculture has boomed. Despite a fall in capture fisheries production, the remarkable increase in aquaculture production has maintained relatively stable levels of total global food fish supply. Aquaculture has grown from 3.9 percent

¹ Nature Magazine. *Net Losses*. 5/15/2003 vol. 423:6937

² United Nations Food and Agriculture Organization 3/2005

³ Oceana. *Oceans at Risk: Wasted Catch and the Destruction of Life*. 2002 p. 1

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of worldwide fish production in 1970 to 31.5 percent in 2002.⁴ Although the potential for aquaculture is great, different issues arise with the various methods used. For example, inland ponds may have the least ecological impact on marine environments, but there are health issues regarding the hormones and other treatments used to raise the fish. On the other hand, net pens used in sensitive marine environments can create pollution from feces, spread disease to wild species, as well as overrun local marine life if the farmed fish escape. Some species are more harmful than others, in particular salmon and shrimp.⁵ Aquaculture may help address food insecurity and alleviate poverty in certain areas, but if not developed properly, could also cause greater harm to marine fisheries and ecosystems in the long-term.

IV. The failure of federal oceans management

The Sustainable Fisheries Act of 1996 significantly changed the National Oceanic and Atmospheric Administration (NOAA) Fisheries mandate to manage living marine resources. Since 1996, NOAA Fisheries, an arm of the Department of Commerce, has mandated and maintained several science, management and conservation programs to prevent overfishing and to help rebuild depleted fisheries. Specifically, NOAA Fisheries was mandated to: 1) Prevent overfishing and rebuild overfished stocks 2) Report and minimize the catching and killing of unwanted ocean wildlife 3) Designate essential fish habitat for all federally managed fish species and minimize adverse effects of fishing on those habitats.⁶ In 2003, overfishing was eliminated in five fisheries and 10 stocks were determined rebuilt to levels above their biomass thresholds. Although there were at least two new cases of overfishing and four stocks that dipped below

⁴ *ibid.*

⁵ Seafood Watch. *Sustainability Issues*. www.mbayaq.org. 8 Mar 2005.

⁶ Marine Fish Conservation Network. *Caught in the Act: The Devastating Effect of Fisheries Mismanagement After Five Years of the Sustainable Fisheries Act*. 2002

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target biomass thresholds, NOAA Fisheries believes that the net result has been positive.⁷

However, the Marine Fish Conservation Network, “a coalition of over 170 national and regional environmental organizations, commercial and recreational fishing groups, aquariums, and marine science groups dedicated to conserving marine fish and to promoting their long-term sustainability,” believes that the Act has largely failed. Criticisms of federal conservation efforts include:

- Loopholes that allow the catch of weak fish stocks if they are caught with species that are not overfished.
- NOAA Fisheries and the Regional Management Councils have avoided action to reduce bycatch due to a lack of data while ignoring the legal mandate to collect better bycatch data.
- Loopholes in the law allow regional managers to take very little action to protective sensitive areas from destructive fishing practices.⁸

V. The beginning of a market strategy

In response to these many problems, an informal alliance of conservation organizations, aquariums, fishers, distributors, retailers, consumer groups, and chefs have taken a demand-side approach to the problem. They believe that by educating consumers with clear, science-based information, they will be empowered to make more sustainable purchase decisions. A 2003 survey by the Seafood Choices Alliance found that 76% of respondents did not have the necessary information to make sustainable purchases.⁹ It was also revealed that 84% preferred labels to convey this information. Additionally, 72% said that they would be more likely to

⁷ NMFS. *The Status of U.S. Fisheries*. Report to Congress, p. 4. 2003.

⁸ Marine Fish Conservation Network, 2002

⁹ Seafood Choices Alliance. *The Marketplace for Sustainable Seafood: Growing Appetites and Shrinking Seas*, 2003 p. 15

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purchase seafood with sustainability labels,¹⁰ with 66% saying that they would feel more favorable toward a store that labeled its seafood.¹¹ These results indicate that through the implementation of a science-based labeling system at the point of sale, customers are more likely to purchase seafood and to develop loyalty to the retailer.

In order to most effectively take advantage of these trends and to design a program with long term viability, SFA had to undertake a thorough analysis of the US grocery industry to understand the customer and retailer segments most likely to support FishWise and the potential pressure points to be exploited.

VI. U.S. grocery industry

The American grocery industry made total sales of \$775 billion last year.¹² The market continues to be dominated by huge discount retailers that compete on price, such as Wal-Mart Stores and Costco Wholesale Corporation, who together had sales of approximately \$331 billion.¹³ Additionally, retail chains such as Kroger Company and Albertsons continue to perform well. These two retailers together had sales of about \$107 billion in 2004.¹⁴ Like the discount super stores, retail chains in this category have traditionally competed on price. However, due to the purchasing power, low wages, and skill in logistics of Wal-Mart and Costco, the traditional retail chains are finding it impossible to match prices and have begun to differentiate through quality seeking to capitalize on consumer trends toward health and wellbeing. The wellness segment is currently dominated by the natural foods industry which has seen incredible growth in the last five years. With steady growth of 20-25%, natural products are

¹⁰ Ibid.

¹¹ SCA, p. 17

¹² www.supermarketnews.com

¹³ Ibid.

¹⁴ Ibid.

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the fastest growing sector of the US economy.¹⁵ Total sales by natural foods retailers reached \$21.98 billion in 2004. This market segment is led by Whole Foods, with sales of \$4.1 billion on 23% growth, and more than 163 stores.¹⁶ Wild Oats Markets is the second largest natural foods retailer in the US with sales of \$1.05 billion on 8% growth last year.¹⁷ Operating somewhere between the big commercial retail chains and natural foods markets are the family run grocers. They are small chains often consisting of five to fifteen stores. In the San Francisco Bay Area, examples include Lunardi's, Andronico's, and Draeger's, all chains more than fifty years old and run by the extended families of the original founder.

VII. Natural foods and the core customer

The incredible growth of the natural foods industry can be attributed, in part, to its ability to develop products that couple environmental and social values with health benefits that can be enjoyed by individuals. Many companies see environmental stewardship, support of local farmers, and living wages for producers as instrumental to their mission. In conjunction, natural foods retailers emphasize high quality products that limit the use of chemical fertilizers, preservatives, antibiotics, hormones, hydrogenated oils, and other artificial ingredients. Thus, when a customer purchases Strauss Family organic milk for example, she is supporting a family run dairy whose cows graze on open pastureland and consuming a product that is healthier than its conventional competitor. Such a customer is able to "think globally, and act locally".

The average natural foods customer is highly educated, of upper income status, informed and committed, and willing to pay a higher price for health, whereas the traditional grocery

¹⁵ Eco Fish CEO Henry Lovejoy, personal communication 6/6/2005

¹⁶ www.supermarketnews.com

¹⁷ Ibid.

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customer is of any socioeconomic status, not committed to certain retailers, and primarily driven by price and convenience.¹⁸ Many natural foods customers have made lifestyle changes, including purchasing decisions, for environmental reasons and support environmental groups financially. Benoit and Ish know this customer segment well because they themselves place an emphasis on personal health and are committed to environmental causes. Ish has been an officer for the Santa Cruz chapter of Surfrider for more than six years. Benoit does much of her shopping in the local natural foods stores. Like Ish and Benoit, customers in this segment “are more than four times more likely to avoid products made by companies that are not environmentally conscious.”¹⁹ Additionally, studies have shown that those of higher income and educational levels are more likely to pay for environmental goods.

VIII. SFA market strategy

SFA decided that the natural foods industry would be the ideal sector of the grocery industry to target because it was full of people, according to Executive Director Michelle Benoit, that are “more interested in environmental issues, more willing to spend money with purpose, and ready to buy something because it is good rather than because it is cheap.”²⁰ On the retailer side, they wanted to first work with stores that would embrace the program, that would be willing to take steps on their own, and that would see FishWise as a key component of the retailer’s larger social mission.²¹ The next target was the traditional family grocer chains that had differentiated themselves through an emphasis on quality, but did not necessarily have a larger environmental or social mission. They knew that this segment would be more difficult

¹⁸ www.wildoats.com

¹⁹ Jill Meredith Ginsberg and Paul N. Bloom. *Choosing the Right Green Marketing Strategy*. Sloan Management Review, 2004 vol. 46:1 p. 84

²⁰ SFA Executive Director Michelle Benoit, personal communication 6/4/2005

²¹ SFA Science Director Teresa Ish, personal communication 6/2/2005

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because these grocers place less emphasis on sustainability. SFA also knew that it would eventually target the largest natural foods chains, such as Whole Foods and Wild Oats, and then large commercial grocers such as Safeway, Albertsons, and Ahold USA, but needed to work out any kinks in the system and to develop the necessary staff and logistical structure to handle chains of such size. Before approaching these large retailers, SFA wanted to build a local network of stores for its program in the San Francisco Bay Area. This would allow them to gather sales data that hopefully would support their hypothesis that customers would be more loyal and increase seafood consumption if they had more certainty regarding the environmental impacts of their choices and the levels of mercury in their fish.

IX. The method: empowered consumers create changes in the market

Through collaboration with scientists at the Monterey Bay Aquarium's Seafood Watch program, and capitalizing on their background in ocean science, Ish and Benoit developed a clear and effective labeling program called FishWise.²² Each of the fish sold by participating retailers has a "traffic light" color code indicating its overall sustainability ranking,²³ and separate information indicating the catch method, the exact species name, and its place of origin.²⁴ Additionally, those products that are considered a "best choice" and that have low levels of mercury are labeled with a gold star, an innovation developed by FishWise in conjunction with Environmental Defense. These rankings are based on scientific reports compiled by the Monterey Bay Aquarium's Seafood Watch and FishWise scientists, currently Ish and Katy Doctor. Additionally, FishWise trains the seafood staff, provides supporting materials that are accessible to both consumers and staff, and launches a PR campaign to draw attention to the

²² www.fishwise.org.

²³ green=best choice, yellow=caution, red=unsustainable

²⁴ While the place of origin does not convey sustainability information, it puts the retailer in compliance with the USDA's new Country Of Origin Labeling (COOL) requirement, and gives the consumer more information.

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program. According to Benoit, this system has been recognized by more established conservation leaders such as Seafood Watch, the Marine Stewardship Council, Environmental Defense, and the Seafood Choices Alliance as an effective and scientifically credible way to deliver important information to the seafood consumer.²⁵

By creating a market for sustainable seafood, pressure is put on producers to adopt improved practices. This approach encourages producers to pursue only abundant species and to implement methods that minimize pollution, bycatch and ecological damage. As the demand for less sustainable seafood choices drops, less sustainable producers are induced by market pressure to change methods or to avoid altogether those species that are overfished. In return for employing the best practices, they are guaranteed markets for their products and they often receive price premiums to cover increased production costs. Also, small local independent producers tend to employ the best practices because they are less capital intensive and because their livelihood depends on the conservation of resources. Therefore, the purchase of sustainable seafood also tends to support the long-term viability of fishing communities.

X. FishWise Unfolds

SFA first implemented FishWise in 2002, in Santa Cruz County's premier retailer of natural foods, the five store chain New Leaf Markets. New Leaf's customers had been asking the retailer for some time for more seafood sustainability information, and it was for this reason that New Leaf was willing to make itself the FishWise pilot program. The response to the program has been overwhelmingly positive. Customer surveys, performed by SFA and New Leaf, have indicated that consumers purchase seafood with more confidence and see the retailer more favorably as a result. Most importantly, New Leaf passed on its sales data for the first two

²⁵ Michelle Benoit, 6/4/2005

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full years of the program. New Leaf has seen a decrease in the purchase of unsustainable fish of more than 7,000 pounds and a reduction in associated bycatch of more than 35,000 pounds. Significantly, overall sales have increased by 9%.²⁶ While it is difficult to attribute this increase solely to the implementation of FishWise, the increase in sales is significantly higher than any previous rise in the last ten years. Armed with this data, SFA targeted other stores in the Bay Area. Currently, FishWise has been implemented in the five New Leafs and five other natural foods stores, from San Francisco to Sacramento. This progression has been in accordance with the growth of the larger sustainable seafood movement.

Thus far, high-end restaurants and natural foods markets are the primary outlets that have embraced this approach to sustainable seafood. Prospects for the commercial grocery market incorporating an environmental component into a price competitive environment are unclear (see further discussion below). While it is difficult to estimate the scope of sales of sustainable seafood, it is clear that significant demand exists. In just three years of existence, Ecofish, the nation's leading distributor of sustainable seafood and producer of value added packaged sustainable seafood, now sells its products in more than 1200 markets and over 100 restaurants.²⁷ According to CEO Henry Lovejoy, response to his products have been overwhelmingly positive because he serves an unmet need for customers who were already purchasing organic and free-range meats, but had no similar seafood option.²⁸ The experiences of Eco Fish indicate that there is significant opportunity for the growth of FishWise in this segment. However, FishWise has had little success with the family grocer segment.

²⁶ Ibid.

²⁷ Henry Lovejoy, 6/6/2005

²⁸ Ibid.

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This result has been a bit unexpected as there have been trends towards sustainability outside the natural foods sector. Lovejoy indicated recently that a major national commercial grocer will begin to sell Eco Fish products in July.²⁹ Additionally, Ahold USA, the nation's sixth largest retailer with 1489 stores,³⁰ created a program called EcoSound in 2001 to investigate concerns regarding farmed salmon.³¹ Now, in conjunction with the New England Aquarium, researchers perform species audits to determine which vendors, fisheries, and fish farms practice the most ecologically sound methods. Ahold USA has taken significant steps towards purchasing only sustainable sources. Additionally, the two largest natural foods retailers, Whole Foods and Wild Oats, have taken significant steps.

Whole Foods has closely allied itself with the Marine Stewardship Council (MSC), an international non-profit certification agency established as a joint venture by the World Wildlife Fund and the corporate giant Unilever. The MSC certifies fisheries worldwide, as the most sustainable option available for individual species. Products from MSC-certified fisheries are eligible to use the MSC eco-label in return for a nominal royalty fee. Currently, more than 250 products from at least 13 fisheries carry the MSC label, with Whole Foods the first American company to sell them. Alternatively, the national category manager for seafood Jonathan Copeland has stated that "Wild Oats is dedicated to selling only seafood that has been harvested or farmed in a sustainable manner," and believes that the company is near this goal.³² Wild Oats does not overtly follow the criteria set forth by any of the leading seafood selector lists such as Seafood Watch. Instead, Wild Oats relies on the work of unspecified consultants and on-site

²⁹ Ibid.

³⁰ www.supermarketnews.com

³¹ www.ahold.com

³² Steven Hedlund. *Trust Hits New Heights*. Seafood Business (online version) 6/2004

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assessments by Copeland to determine the sustainability of each species sold in its stores.³³

XI. Challenges

Through three years of hard work and learning by experience, SFA has had a variety of challenges. The most difficult part of their work has been getting meetings with the store decision makers. They attribute this to a variety of causes. First, they believe that the grocery world is very traditional, and despite a competitive landscape, retailers are resistant to change.³⁴ This is especially true with the family grocer segment that often believes that the basic components of selling food have not changed since the 1940s when their grandfathers started their businesses. Retailers are conditioned to be wary of people pitching their products because they have experienced an endless line of companies seeking to bring their products into stores. To successfully gain shelf space, the sales representative must have significant skill and experience to smoothly and credibly pitch his or her products. The SFA staff are primarily scientists and have had to learn to be salespeople on the fly. To deal with this, they are hoping that through greater publicity, exposure, and customer requests for the program, that retailers will seek out FishWise and already see it as a potential growth mechanism and means to be more socially responsible.³⁵ Second, SFA has received some concern from prospective retailers that FishWise will result in much higher prices to their consumers who, outside the natural foods industry, may not be willing to pay more for sustainability and public goods. Third, SFA has received questions from concerned customers regarding guarantees that the fish is correctly labeled. Finally, SFA has had some difficulty in determining whether its program will result in a

³³ Jonathan Copeland, personal communication 6/3/2005

³⁴ Benoit, 6/4/2005

³⁵ Ish, 6/2/2005

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long term solution to the seafood crisis or whether another strategy, such as federal regulation may be necessary.

XII. Strategies for Increased Program Adoption

SFA believes that increased exposure will both encourage customers to push their local retailers to adopt the program and convince store directors that FishWise is a credible program. Both Ish and Benoit assert that the publicity surrounding new store launches has been very effective as it has encouraged many customers to contact FishWise for more information.³⁶ However, there are a variety of other strategies for increased exposure. First, they have considered a consumer mobilization strategy targeted at individual chains. Such a program would entail gaining access to a constituency that would be willing to campaign for FishWise. This access might come through SFA purchasing the subscription list of an established national environmental organization with a large support base such as Audubon, the Sierra Club, or World Wildlife Fund, or by creating a strategic partnership with them. This support base would then target a particular retail chain and engage in an email and letter writing campaign to encourage program adoption. SFA has slowly developed significant relationships with some large environmental organizations and see some potential for alliance. However, it is currently unable to simply purchase a supporter list until more funding becomes available, as their small budget is dedicated towards maintaining FishWise, rather than expanding it. Benoit expressed optimism that such a program might be possible in the future.³⁷ This strategy would likely be successful because retailers operate on very small margins and tend to be very responsive to customer requests.

³⁶ Ibid.

³⁷ Benoit, 6/4/2005

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Second, FishWise has considered aligning itself more closely with a pressure group that employs tactics similar to those of the Rainforest Action Network . Potential organizations include the Coastal Alliance for Aquaculture Reform (CAAR) and the Sea Turtle Restoration Project. Both organizations have targeted Safeway, though for different reasons. CAAR, based in British Columbia Canada, the site of extensive salmon farming, wants Safeway to stop selling farmed salmon due to its impact on wild salmon stocks, indigenous fishing communities, and ecosystems.³⁸ The Sea Turtle Restoration Project is trying to induce Safeway to place warning signs indicating the level of mercury in its seafood and has taken full page ads out in the New York Times decrying the hypocrisy of Safeway and its new “Ingredients For Life” campaign. Ish and Benoit has been leery of forming close alliances with such groups as the credibility of their information is sometimes suspect and because they are pursuing single species campaigns, which runs counter to the FishWise approach which emphasizes complete ecosystems. However, Ish believes that loose affiliations are okay in that these pressure groups are skilled at pointing out problems to which FishWise is the solution.³⁹ They do not have any current plans to join with a pressure group.

A final, and perhaps most innovative, way to encourage retailers to adopt FishWise is the creation of a relationship with NOAA Fisheries. FishWise could appeal to NOAA Fisheries Assistant Director William T. Hogarth to use the credibility, access, and resources of this federal organization to support a label program. Such an initiative would complement NOAA Fisheries’ efforts to educate the public about sustainability, and would assist in its mandate to safeguard and rebuild the nation’s marine resources. Hogarth should target natural foods and specialty

³⁸ www.farmedanddangerous.org

³⁹ Ish, 6/2/2005

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retailers such as Wild Oats Natural Foods, Whole Foods and a forward thinking supermarket chain such as Ahold USA. Once the success of the seafood label program is demonstrated in these three companies, first smaller stores and then larger mainstream supermarkets will follow.

1. NOAA Fisheries will certify the operations of FishWise and its ability to administer and manage the seafood label program.
2. A top NOAA Fisheries official will meet with retailer executives to encourage them to adopt a comprehensive seafood label program.
3. It will subsidize for one year the costs of stores participating in the program.
4. It will subcontract the implementation of the labeling program to FishWise and other third-party organizations, as needed.
5. It will establish a standardized system for certification of fishing methods, based on input from leading conservation organizations, retailers, and NOAA Fisheries scientists.

The main expense for NOAA Fisheries will be the one-year subsidies granted to participating stores. Total costs will vary depending on the number of stores that join the program. Implementation costs per store will be cheaper in larger chains since one central meeting can train managers from several locations. The training can also be passed down through the existing corporate structure with little or no additional cost, using FishWise training materials. On the other hand, small chains and individual stores will need separate training sessions. As a result, NOAA Fisheries should have a two-tiered fee system. For chains of ten stores or more, the first year fee will be \$1,500 per store. For stores with between one and nine locations, the first year fee will be \$2,000 per store. The total scope of the program will depend on the budget and retailer participation. Below are two different possible scenarios:

Scenario 1

Retailer	Outlets	Cost
Whole Foods	167	\$250,500
Wild Oats	100	\$150,000
Total	267	\$400,500
Small Chains	150	\$300,000
Total	417	\$700,500

Scenario 2

Retailer	Outlets	Cost
Whole Foods	167	\$250,500
Wild Oats	100	\$150,000
Small Chains	150	\$300,000
Ahold USA	1,600	\$2,400,000
Total	2,017	\$3,100,500

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Once the size and scope of the seafood label promotion and subsidy program is decided, the appropriate amount would be added to the NOAA Fisheries budget request of \$727.9 million in FY 2006.⁴⁰ In addition, recommendation 19-16 of the National Ocean Policy Report states:

Congress should repeal all programs that encourage overcapitalization of fishing fleets, including the Fisheries Finance Program (formerly the Fishing Vessel Obligation Guarantee Program) and those sections of the Capital Construction Fund that apply to fisheries.⁴¹

A portion of the funds recovered from these programs could be redirected towards this proposed program.

⁴⁰ www.publicaffairs.noaa.gov/budget2006/

⁴¹ U.S. Commission on Ocean Policy. *An Ocean Blueprint for the 21st Century*. www.oceancommission.gov. 9/2004

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Results from the New Leaf Markets pilot program showed that unsustainable seafood purchases decreased by 7,000 pounds in the five-store chain over the first year. Because each of the New Leaf Markets stores is significantly smaller than the average Whole Foods or Wild Oats store, it can be estimated that the seafood sales of these stores might be triple that of New Leaf.⁴² The volume of unsustainable seafood purchases in these two national chains will decrease by 1.1 million pounds in the first year. If additional stores are added, as in Scenario 2 above, NOAA Fisheries may see a reduction of over 8 million pounds.⁴³ Additionally, because the most unsustainable species are associated with high levels of bycatch, it is reasonable to estimate that more than 35 million pounds of bycatch would be avoided.⁴⁴ Although the 2017 stores in Scenario 2 are only a small portion of the total market, the creation of this sub-market and potential access to it would be a powerful incentive for producers to alter catch methods. The success of these stores in the first year will encourage widespread adoption of the program nationally, compounding the benefits outlined above.

XII. Is sustainable seafood necessarily more expensive?

Some retailers have expressed that they would like to be more socially responsible, but that they were concerned as to the effect of sustainability on fish prices. SFA has not been able to give these store directors a clear answer as the forces that go into determining price are very complex. These variables, in part, include the cost of production and processing, the shipping distance to market, the level of supply and demand, and most importantly, the quality and freshness of the product. Thus, fish prices are much like oil prices, in constant flux. If these

⁴² Due to fierce competition in the grocery business, markets do not publish sales by individual departments.

⁴³ Total seafood consumption in the U.S. was estimated by the FAO to be 4.5 billion pounds in 2003.

⁴⁴ www.fishwise.org

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variables are held constant, and the factors that determine sustainability are analyzed, it is possible to draw some general conclusions. In general, a change in catch method will cause the fisher to incur higher fixed cost. This cost may or may not be passed on to the consumer.

According to Eco Fish CEO Henry Lovejoy, he often pays his fishers a premium for their product because support of fishing communities is a key component of the company's mission.⁴⁵ He is sometimes able to recoup this expense at the retail level, depending on the differentiation of the product. For undifferentiated products, the producer may be forced to absorb the higher production cost but is compensated by a larger market for his products. Certain products, especially those produced by organic aquaculture processes are almost always more expensive.

However, there are many examples in which a more sustainable fish is not necessarily more expensive. For example, Unilever, the world's largest purveyor of frozen fish, announced in April that its Iglo fish fingers for the German market will be made solely from MSC certified US Alaska Pollock. With plans to expand into other European markets, Unilever's move represents the largest market initiative for the sustainable seafood movement. While Unilever expects a negligible price differential between Russian and Alaskan Pollock, it will not be passed on to the consumer.⁴⁶

Similarly, in 2003, when it became known that methyl testosterone was being used in tilapia production to create all-male lines, both Wild Oats and Whole Foods stopped selling the fish. Currently the sixth most popular seafood in the US, the move by these two retailers forced many suppliers to develop alternative technologies. The increased production cost has largely been absorbed by the producers in order to protect market share.⁴⁷

⁴⁵ Lovejoy, 6/6/2005

⁴⁶ www.intrafish.com 4/05/2005

⁴⁷ American Tilapia Association: ag.arizona.edu/azaqua/ata.html

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Finally, the non-profit group Environmental Defense has led an effort to reduce the use of antibiotics in the production of fish and other protein sources. According to the program director Gwen Ruta, “We don’t want to set up a niche market. We want to see changes across the whole industry”.⁴⁸ Accordingly, Bon Appétit Management Company, a catering company with more than 148 colleges and companies as customers, has committed itself to purchase seafood low in antibiotics and in accordance with Seafood Watch criteria.⁴⁹ This move has sent a strong message to Bon Appétit’s suppliers that in order to remain competitive, they must reduce overcrowding and stressful conditions such that antibiotics are less necessary. It is assumed that to retain this large and important customer, Bon Appétit’s suppliers must improve their methods while delivering their products at the same cost.

XIII. The integrity of the supply chain

Since 76% of seafood consumed in the U.S. is imported,⁵⁰ there are many steps along the chain of custody that are difficult to monitor. Ish observes that a weakness of FishWise is that its influence does not extend past the distributor in the supply chain.⁵¹ Unfortunately, many retailers currently operate on trust or must take the initiative to personally visit and observe fisheries and distributors. However, in the Science and Statistical Committees operating within the Regional Fishery Management Councils, NOAA Fisheries already has a system for monitoring national fisheries. A certification procedure for fishery assessments would help ensure uniform standards. Verifying the capture methods of foreign fisheries is a more difficult problem, but there are programs and frameworks that could be developed into a global standard.

The International Organization of Standardization Environment Management System (ISO

⁴⁸ www.intrafish.com 8/12/2003

⁴⁹ Bon Appétit Management Company: bamco.com/website/responsibility.html

⁵⁰ FAO Report 2002

⁵¹ Ish, 6/2/2005

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14000)⁵² can address the chain-of-custody issues, while the Marine Stewardship Council⁵³ could complement the ISO by verifying harvesting practices. The central problem with many of these systems however, is the lack of participation from the fishing industry itself. Peer observers and certifiers would lend credibility to any monitoring body in the eyes of consumers, fishers and politicians alike.

The systems initiated by Eco Fish can serve as a strong example to the industry. Lovejoy notes that the average supply chain consists of seven steps from the fisher to the point of sale. He aims to reduce this process down to two or three steps by sourcing directly from the fishers. He attempts to personally meet every fisher in his distribution network. When this is cost prohibitive, such as for fish from China or Ecuador, he works with reputable exporters whom he can trust. They must sign documents guaranteeing both the origin of the fish and that they have traceability systems in place. Additionally, they must be available for spot checks performed by Lovejoy.⁵⁴

XIV. “Success” and the future of sustainable seafood

The ultimate goal for SFA, according to Ish, is to no longer exist because the necessary changes to the production system have been made. Short of that goal, SFA would certainly like to see FishWise in the natural food, traditional grocer, and commercial grocer segments of the US grocery industry. They believe that the program will never be in Wal-Mart or Costco due to their extreme price competition strategies. However, this sector may actually increase SFA’s ability to bring the program into traditional and commercial grocers because they are increasingly losing the price battle. Between 1988 and 2003, traditional supermarkets lost 34%

⁵² www.iso.org

⁵³ www.msc.org

⁵⁴ Lovejoy, 6/6/2005

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of the grocery and consumables market. Unable to compete on price, they are now attempting to differentiate along “meaningful points of difference” such as quality, health, and sustainability.⁵⁵ Thus, supermarkets are actually attempting to become boutiques, a welcome development for FishWise. If this segment does not become more sustainable, SFA does not believe that it will have been successful.⁵⁶ Already, it has begun to look at the ways in which regulation might be needed to ensure seafood sustainability. By encouraging a significant portion of the market to change, with the resulting education and empowerment of customers, it is likely that the sustainable seafood would be able to successfully influence federal legislation. Potential laws might include the banning of the most harmful practices, such as bottom trawling or long lines, more funding for the enforcement of fishing quotas, and mandated sustainability labeling, along the lines of FishWise, at the point of sale.

XV. Strategic options

Fundamentally, SFA has developed a strong approach to sustainable seafood that is rigorous in its scientific analysis, flexible enough to adapt to the ever changing status of fisheries, and designed such that it appeals to both the mission of many stores and their bottom line. Despite these attributes, the future success of the program is far from guaranteed. Rather, it must undertake significant new initiatives to increase the rate of program adoption. FishWise should take efforts to raise its visibility through partnerships, appearances in trade journals, and increased efforts to network with the grant making community. However, it should also continue to avoid close relationships with pressure groups that may cause SFA to be lumped in with radical environmentalists, rather than be seen as a science based asset to retailers. Most

⁵⁵ SPINS. *New Formats Edging Out Traditional Supermarket*. Vol. 9 2/2005

⁵⁶ Benoit, 6/4/2005

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importantly, SFA should pursue a collaboration with NOAA Fisheries in order to develop a federal subsidy that would encourage retailers to adopt the program. Such collaboration will pave the way for a close working relationship with NOAA Fisheries that would aid in the development of future federal regulation to ensure that Americans become FishWise.

XVI. Discussion Questions

1. Evaluate SFA's market-entry strategy. What are the challenges of convincing consumers and retailers to adopt its label? SFA initiated a pilot program in a Santa Cruz natural foods store, an area where consumer demand for sustainable seafood was already present. How successful would this strategy be in a mass-market supermarket in Kansas? Should SFA try to expand its strategy into other customer and retail segments in the future?
2. Fish Wise focuses on "a demand-side approach" to the sustainable seafood problem, and expends significant resources in education consumers and retailers. What is the extent of its work and influence in the fisheries supply chain? How credible do you find Fish Wise's labeling program? What additional information do you need to increase your confidence in its supply chain? Do you believe a creating demand will necessarily translate into a more sustainable fisheries management?
3. What strategy do you feel SFA should adopt to increase program adoption? Should it end its relationship with environmental pressures groups? Should it align itself with scientific research or with NOAA Fisheries? Why or why not? Are there other strategies is should consider?
4. Compare and contrast Sustainable Fishery Advocates with the Marine Stewardship Council. Which organization seems to be doing more in promoting sustainable fisheries management? Which do you find to be more credible?

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XVII. Interviews

Teresa Ish: Science Director - Sustainable Fishery Advocates

Michelle Benoit: Executive Director - Sustainable Fishery Advocates

Henry Lovejoy: CEO - Eco Fish

Jonathan Copeland: National Category Manager Seafood - Wild Oats Markets