

# Drivers and Market Trends for Third~Party Certified Aquaculture Products

Cathy A. Roheim

*Professor*

*Department of Environmental and Natural  
Resource Economics*

*University of Rhode Island*



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URI SUSTAINABLE



SEAFOOD INITIATIVE



## Issue

A goal of ecolabeling (third-party certification) for aquaculture is to create market-based incentives for responsible aquaculture production.

# Third-party Certification

Has implications for improvements to seafood safety via:

- Water quality improvements
- Restricted use of chemicals
  - Antibiotics
  - Vaccines
- Traceability requirements

# Third-party Certification

- Entails costs to producers who wish to become certified
- What are the benefits?
- Purpose of this presentation:
  - Discuss what is motivating the market for ecolabeled seafood
    - ✓ Is the consumer driving this market?
    - ✓ Show results from a survey of major corporations
  - Discuss the future
  - Implications

# Motivation behind Ecolabeled Seafood

- Is it consumer driven?
- Is it Corporate Social Responsibility?

# What is the consumer saying?

- Multiple surveys
  - Consumers
    - Seafood Choices Alliance – US (2003)
    - Hicks, Pivarnik and McDermott - US (2007)
    - Seafood Choices Alliance – Europe (2007)
    - Seafood Business – US (March 2010)
  - Suppliers
    - Seafood Choices Alliance – US (2008)
    - Canada DFO – US (2007)

# What is the consumer saying?

- Results:
  - Consumers state that issues related to quality and safety are topmost factors influencing consumers' purchase decisions
    - ✓ Environmental considerations follow
  - Suppliers believe price, quality and safety most important to their customers
    - ✓ But also believe that sustainability is important to customers

For example,

**Factors in Seafood Purchasing (N=1,000)**

	Great deal of importance	Very important
Freshness or Smell	44%	48%
Possibility of Contamination	37%	41%
Taste or Texture	33%	54%
Health/Nutrition	21%	49%
Price	18%	35%
Eaten Before	16%	39%
Whether species is overfished	15%	29%
Possible harm to other ocean creatures	14%	33%
Possible harm to ocean environment	13%	30%

# Corporate Social Responsibility

➤ Definitions:

CSR is the obligation of business to increase profits for its shareholders

Milton Friedman (NYT, 1970)

CSR is a consistent pattern of private firms doing more than they are required to do

Paul Portney, 2005

# Corporate Social Responsibility

- Different theories regarding motivation for CSR behavior:
  - ✓ Business literature
  - ✓ Law literature
  - ✓ Economics literature
  
- To test these theories for Sustainable Seafood CSR behavior, we conducted a survey

# Corporate Social Responsibility

- December 2009 survey of U.S. corporations
- National retail chains, national restaurant chains, foodservice, distributor-processors, distributor-producers
- 48 firms were targeted, 21 responded (44% response rate)
- Targeted mainly those with stated policy, program or other effort to source sustainable seafood
- Anonymous responses, unless self-identified themselves

# Who were the respondents?

- Type of firm
  - 33% retailers
  - 29% restaurant or foodservice
  - 37% distributors
  
- Annual Gross Revenues
  - 9 firms less than \$500 million
  - 4 firms greater than \$10 billion

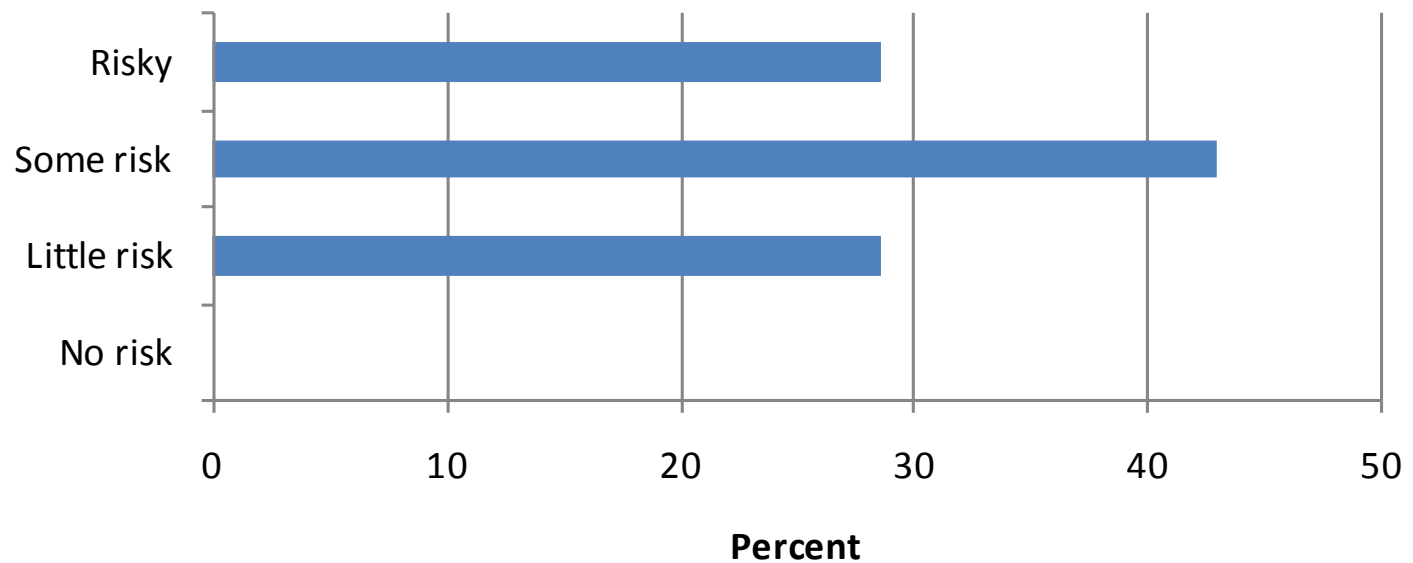
# Who were the respondents?

- Annual Seafood Purchases
  - 8 firms purchased less than \$50 million
  - 5 firms purchase more than \$250 million
  
- Position held by respondent
  - 9 in management
  - 6 in purchasing
  - 4 held 'sustainability' titles
  - 2 in marketing



# Responses

## Level of Risk Perceived to Seafood Sector of Company with lack of Sustainable Seafood Sourcing Policy



# Most important influences in sourcing sustainable seafood

- It's the right thing to do
- Enables their company to facilitate change as a key part of the supply chain
- Assures the seafood they purchase is legally harvested
- Reduces risk of loss of supply due to stock depletion
- Increases their brand value to consumers
- Improves their market position relative to competitors

# Other influences in sourcing sustainable seafood

- Other factors were influential but did not rank as highly:
  - Increasing market share
  - Anticipating future consumer concerns
  - Shareholder (or stakeholder) pressure
  - Avoiding criticism of environmental groups



# What differentiates third-party certification from other sustainable seafood sources?

- Traceability
- Benefits of traceability:
  - Provides verification of the source
  - Minimizes the risk of buying ‘non-sustainable’ products
  - Reinforces the branding and marketing message

## Outlook for the Future

- 81% of firms said they will be investing more in seafood sustainability initiatives in the next 5 years; rest investing the same
- 71% believe that costs of sourcing sustainable seafood will never go down
- 75% believe that revenues from selling sustainable seafood will increase sometime in the future
- 65% think profits to the seafood division of the company will go up sometime in the future as a result of a sustainable sourcing policy; while 48% say profits due to same are lower now.

# Implications

- Third party certification programs in aquaculture are growing in size and number
- In contrast to similar programs for capture fisheries, these have an added dimension of promoting food safety
- While the consumer is not at the forefront of demanding either sustainable seafood (or specifically ecolabeled products), the corporate sector is increasingly active in demanding and investing in sustainable seafood

# Implications

- Third party certified products have a number of benefits over ‘recommended’ products, including:
  - For buyers:
    - ✓ Traceability
  - For the aquaculture industry
    - ✓ Rewards responsible farmers instead of ‘red-listing’ an entire industry
  - For consumers
    - ✓ Reduces consumer confusion – look for the logo rather than becoming a seafood specialist

# Conclusions

- Third-party certification in aquaculture is here for the long term
- How best should the aquaculture industry use it to their advantage?
  - Food safety verification is a competitive avenue not available to the capture fisheries
  - Given the level of consumer concern about food safety, that could be a real marketing edge



Thank you!

[http://seagrant.gso.uri.edu/sustainable\\_seafood/index.html](http://seagrant.gso.uri.edu/sustainable_seafood/index.html)