

DG ENV

Study on implementing measures for trade in seal products

Stakeholder Briefing Note

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1 Summary of context

The Regulation concerning trade in seals products

The Regulation on the trade in seal products (Regulation (EC) No 1007/2009 of the European Parliament and of the Council)¹ laying down the future conditions for placing seal products on the EU market was adopted on 16th September 2009 and published in the Official Journal of the EU on 31st October 2009. The Regulation was introduced in order to avoid an increase in dissimilar national legislation of EU Member States. Some Member States had already introduced legislation related to this politically sensitive issue which has been discussed extensively in both the general public and at national government level.

The need for the study as input to defining implementing rules

Following the adoption of the Regulation, there is need to gain more knowledge of factors relevant for trade in seal products, including knowledge of seal hunting communities, seal products and the necessary measures to apply the conditions of the Regulation. COWI A/S has been contracted by the European Commission, DG Environment, to undertake a Study on implementing measures for trade in seal products, which provides input to the Commission's process of developing implementing measures for this Regulation. Therefore, the results of this present study are providing input to the development of a suitable traceability scheme that can ensure that the conditions stipulated in the Regulation are met while defining the implementing rules.

The Regulation

The Regulation covers all products, processed or unprocessed, derived or obtained from pinnipeds (Article 2.2). In order to ensure that no products derived from seals² are placed on the market, knowledge about which products contain or may contain seal derivatives is necessary.

This includes products that contain or may contain whole parts or derivatives of the pinnipeds:

- Phocidae; earless seals, or true seals, hereunder, but not limited to harp, hooded, ringed, common and grey seals.
- Otariidae: eared seals, which are commonly referred to as sea lions and fur seals, hereunder but not limited to the south African fur seal
- Odobenidae: walrus

The Regulation, Article 3, introduces a general ban on placing seal products on the market unless certain conditions are fulfilled, as included in the text box below.

¹ [http://eur-](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:286:0036:0039:EN:PDF)

[lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:286:0036:0039:EN:PDF](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:286:0036:0039:EN:PDF)

² Except products allowed pursuant to Article 3.

*Text box 1 Conditions for placing seal products on the market***Article 3 of COM (2008) 0469 - C6-0295/2008 - 2008/0160 (COD)****Conditions for placing seal products on the market**

- 1 The placing on the market of seal products shall be allowed only where the seal products result from hunts traditionally conducted by Inuit and other indigenous communities and which contribute to their subsistence. These conditions shall apply at the time or point of import for imported products.
- 2 By way of derogation from paragraph 1:
 - (a) The import of seal products shall also be allowed where it is of an occasional nature and consists exclusively of goods for the personal use of the travellers or their families. The nature and quantity of such goods may not be such as to indicate that they are being imported for commercial reasons;
 - (b) The placing on the market shall also be allowed for seal products that result from by-products of hunting that is regulated under national law and conducted for the sole purpose of sustainable management of marine resources. Such placing on the market shall only be allowed on a non-profit basis. The nature and quantity of such products shall not be such as to indicate that they are being placed on the market for commercial reasons.

The application of this paragraph shall not undermine the achievement of the objectives of this Regulation.
- 3 The Commission shall, in accordance with the procedure referred to in Article 9 (2), issue technical guidance notes setting out an indicative list of the codes of the Combined Nomenclature which may cover seal products subject to this Article.

2 Scope and objectives of consultation

The objective of the stakeholder consultation is to obtain feedback from stakeholders regarding the practical implementation of the Regulation.

3 Study findings

The study has taken a three folded approach in order to create a basis for developing recommendations and options for traceability systems concerning seal products.

- Identification and analysis of affected seal hunting communities

- Facts on trade and market , hereunder the products containing or possibly containing seal products and the trading chain
- Identification of product types that contain or may contain seal derivatives

Below the preliminary study findings concerning these three aspects are elaborated.

3.1 Affected communities

As part of this study, the role of seal hunt and sealing legislation has been analysed for the relevant countries relative to the two key exemptions in Article 3.1 (exemption for Inuit and Indigenous communities) and Article 3.2b (sustainable resource management) respectively. This includes the hunt in: Alaska, Canada, Finland, Greenland, Namibia, Norway, Sweden and Russia. Moreover, the killing of seals in UK has been analysed, although this is not a formal hunt.

Communities affected by the Article 3.1

The analysis takes the point of departure that only products complying with the three requirements in article 3.1 are allowed to be placed on the European Community market. The requirements are that:

- the hunt must be traditionally conducted in the community
- the community where the product derive from, must be Inuit or indigenous
- the hunt must contribute to the subsistence of the community

With reference to the above, it appears that the communities conducting hunts in Alaska, Arctic Canada, Greenland and certain Northern parts of Russia are mostly Inuit or indigenous³ communities. The communities have long standing traditions for seal hunting in their homeland and the seals are partly consumed at the local market contributing to e.g. food supply in addition to generating a relatively limited income. As such the hunt can be considered to contribute to the subsistence of the societies.

There are also other indigenous communities that might fall under this exemption such as the Saami communities e.g. in Norway and the Kihnu people in Kihnu Island in Estonia.

Sustainable management of marine resources - Article 3.2.b

One of the pillars of the European Community policy for sustainable management of marine resources is based on eco-management (Marine Management Framework Directive (2008/56/EC)) and in this study we interpret Article 3.2 in this context. This study therefore takes the approach that management of the seal populations should be seen in context with the other species of the ecosystem. This would mean that in order to fall under this article would not be sufficient to have a total allowable catch at a level that does not endanger the species, but management of seal populations should be seen in relation to other species. Therefore, in the context of the study, the hunt is only seen as sustain-

³ For example Aleut, Yupik and Inupiat in Alaska

able management of marine resources if undertaken in order to maintain the balance of the eco system on which the hunted seal population live. Moreover, the Regulation states that the nature and quantity of the hunt must be such as to indicate that the hunt is not a commercial activity and products must only be sold at non profit basis. Hence any centrally organised large scale hunt does not seem likely to fall under this exemption.

3.2 Trade in seal products

For the purpose of putting the 'legislation issue' in perspective, the following provides an overview of the trade and the markets for seal products.

Before the financial crises and the 'ban', the total number of seals caught for trading purposes by the main sealing countries⁴ was in the order of 600 thousands. The large markets (particularly Russia, and to a lesser extent China and the Far East) have been hard hit by the financial crisis and as a consequence the demand for seal skin has suffered. At the same time the current legislation has been under preparation and has created uncertainty about the EU market. Hence, trade numbers are down substantially since 2007 and so is the market price of raw skin (less than half).

Table 3-1 Seal harvest and trade 2006 and 2008⁵

Number of seals harvested (approximate numbers)	2006 'normal' year	After ban+financial crisis	Comments
Greenland caught	190.000	190.000	70000 for Inuit consumption
Greenland total trade	120.000	120.000	Stockpiling at GG
Canada total trade	280.000	70.000	
Norway	18.000	9.000	
Total trade	418.000	199.000	

The EU share

It is estimated, that approximately 5% of the total catch is actually 'consumed' in the EU, while a much larger part is passing through EU either in transit, through Auction Houses, or for tanning purposes.

Size of Inuit / indigenous hunt for trade purposes

Of interest in relation to the Regulation and article 3.1 is how much of this total trade is to be subject for traceability schemes in order to qualify under article 3.1. In other words, how much of the skins are caught by Inuit or indigenous communities and could be made available on the EU market in response to a demand.

With regard to the seals hunted in Greenland(190 thousands) , it is worth noting that more than a third of this number is used for personal consumption (food,

⁴ Canada, Greenland, Namibia, Norway and Russia.

⁵ We do not have any data on the current hunting levels of Namibia and Russia. EFSA 2007 indicate that hunting levels about 80.000 in Namibia and 100.000 in Russia in 2006.

skin, dog food) and constitutes a substantial part of nutrition for local communities.

For Canada it is estimated that less than 3% of total catch derives from Inuit hunt, e.g. in the order of 10 thousands skins a year (based on a 'normal' year).

Table 3-2 Canadian and Greenland Inuit trade of seal products

Estimated Inuit/Ind skins (as part of total traded)	2006 'normal' year	After ban+financial crisis	Comments
Greenland Inuit	120.000	120.000	Same as total, but stockpiling at GG
Canada Inuit/Indegenous	10.000	3.000	This number could be higher as only based on 1 auction house
Total Inuit/Indegenous	130.000		

The trade and value chain - seal skin

In order to unfold the complexity of the trade routes of importance for defining feasible traceability schemes, it is important to understand the trade value chain. The following is not necessarily a complete picture but rather a schematic mapping to underline the main trading patterns and the actors involved.



Commercial purchasers buy up the skins as hunters deliver the hunted seal to the receiving stations. Greenland has 40 such receiving stations. Norway has one in Tromsø. The main harvest places in Canada are in Newfoundland and Labrador.

The price for the raw skin is usually given by world trade prices. In the case of Greenland and Norway the hunt is subsidised, while in Canada the support programme for the Nunavut hunters also constitutes a subsidy.

The purchaser either sends the skins directly to Tannery for further processing or collect the skin into lots which are traded at Auction houses (a few times a year).

Example: Great Greenland

Some Companies, such as Great Greenland (100% owned by the Greenland self-rule) has interests in many parts of the trading chain. They run the receiving stations, the GG Tannery and do also have manufacturing, design and marketing facilities in Greenland. The North Atlantic Fur Group (NAFG) trades all seal skins coming from Great Greenland.

Example: Rieber

GC Rieber buys the seal (including blubber) from harvest stations in Newfoundland, it goes then to Rieber's own production facilities in Newfoundland where the skins are tanned and dressed and the blubber is turned into crude oil. Some skins are also bought from Norwegian harvest and shipped to Canada for tanning and dressing. From Canada the tanned skin are shipped to its final customer (China, Far East, Russia) via logistics hubs in Helsinki, Frankfurt or Estonia. Rieber Skinn AS in Norway only acts as a sales and marketing agent.

Example: Canadian trader

Ta Ma Su Inc. is the biggest player in the Canadian market, probably making it the biggest global player, as the Canadian industry is estimated to have a global market share of 75% (interview TaMaSu, 2009). The company purchases seals skins and blubber from Seal harvesting stations on the Îles de la Madeleine in Quebec. The company is located on the same island. After a first processing, the pelts are sent to Germany for dressing and tanning, while the blubber is processed into oil in Canada and then sold on to nutraceutical companies for further processing into nutritional supplements. Some of the pelts also go through Copenhagen Fur Auction, but most products are sold directly through dealers and retailers. Buyers of furs are mostly Eastern European and Asian, while the oil ends up mostly on Canadian and Asian markets.

In recent years TaMaSu has also been working together with a Greek heart surgeon in exploring the possibilities for using seal heart valves in heart surgery for humans. No products are being sold yet at the moment though. This might be a future emerging market.

Auction Houses

The main Auction Houses trading seal skins are Copenhagen Fur (although in the recent year there has hardly been any sales) and Canadian Auction Houses (North Bay Fur harvesters and North American Fur Auction). The auctions constitute a global market place where bidders from all over the world gather to trade a few times a year. The skins are sold in 'lots' according to type, quality, raw as well as tanned, etc. The Auction House takes a certain percentage fee for each skin traded from the hunter and a fee from the buyer; in the order of 8-10% in total of trading price.

The tanneries are either 'part of a bigger business' such as Great Greenland or operate as an 'independent entity' where skins are tanned and dressed on a fee basis. The fee is in the order of 15-25EUR per skin, varies from tannery to tannery. For such tanneries the treatment of seal are often a minor part of the business although the seal business are important in terms of timing as many other

The business of seal oil

tanning processes are seasonal. Having seal skin therefore makes it possible to maintain year round operations.

Blubber is a by-product of sealing and account for about 45% of the total weight of the seal.

The refinery process is rather advanced and accounts for in the order of 80-90% of the economic value of the final product. The refined seal oil is very pure (colourless transparent liquid hardly with any taste of fish) and completely cleaned for any heavy metals through an advanced distillery process.

Blubber from seals in Greenland is more difficult to collect - as the hunting is spread all year round and also due to the logistic challenges in Greenland. It is very important that the blubber is handled while fresh and this represents a challenge in this area.

Both the crude oil and final oil derived from seal is about double price of 'comparable' fish oils. Therefore, there is hardly a risk of any economic incentive to mix seal oil with other marine oils from a cost savings point of view.

The refined oil is sold on to intermediate companies, such as health companies and pharmaceutical companies and sold as dietary supplement and food ingredient (functional food in South Korea). Main markets are Norway, South Korea, and emerging markets includes China and Japan.

It appeared that some European markets, Sweden, Denmark, Finland, and Germany were emerging but halted in recent years due to the development of the Regulation.

The global production of seal oil is very marginal compared to fish oil - in the order of less than 1-2%. Rieber estimates the global production of seal oil to be in the order of 2000-3000 tons a year. Besides GC Rieber, there are a few Canadian seal oil manufacturers (Atlantic Marine Products, TAMASU, OCI)

A number of scientific studies conclude that seal oil is healthier than other fish oils due its high contain of the essential fatty acid DPA. There are proven scientific evidence on its positive effect on cholesterol, and blood thinning effects.

3.3 Products that contain or may contain seal derivatives

Table 3-3 below, therefore present an indicative list of products that may contain or contain seal derivatives listed according to the trade codes of the Commission Regulation (EC) No 1031/2008 amending Annex I to Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff. It should be noted however, that a limited number of codes listed are taken from the Greenlandic customs authorities list of product codes used when issuing export licences. This only concerns codes with 9 digits or more and is marked with an asterisk in the table below.

The list mainly concerns products from seals, and the Nomenclature⁶ does not make a distinction between earless and eared seals. Hence seal products listed below include both the Phocidae and Otariidae family. Concerning Odobenidae, walrus, the only product listed is the teeth and in the Nomenclature these are included in the general category of ivory. Greenlandic trade authorities do however have a specific trade code for the teeth of walrus as seen in the table.

When reading the table, it should be considered that there are products which clearly contain seal products, and where it is relatively easily identified or documented, hereunder fur products as the seal fur is quite characteristic. On the other hand, there are products where seal derivatives are a component in a product or where the seal derivative is more difficult to identify. This includes i.a. products from seal blubber which is used to make seal oil.

Seal oil contains the three most common Omega3 fat acids, DHA, EPA and DPA, and in theory all products containing these acids may contain seal derivatives, such as baby food, margarine containing Omega3 and animal fodder. However, in reality seal blubber is only exported in limited scale and processed by a few producers in Canada and Norway. The use of the oil is thus limited, and the most common products containing seal oil is Omega3 capsules and pet food, however also this limited to a few brands. It is also to some extent used in the pharmaceutical industry.

Table 3-3 Products that contain or may contain seal skin or seal fur

Trade code				Product group	Product
4 digit	6 digit	7 digit	9 digit +		
0208				Other meat and edible meat offal, fresh, chilled or frozen:	
		0208 90 55		Seal meat	
			0280 90 550*	Fresh, cold or frozen	
			1504 30 900*	Seal blubber	Products containing Docosahexaenoic acid (DHA)
					Products containing Eicosapentaenoic acid (EPA)
					Products containing Docosapentaenoic acid (DPA)
4301				Raw furskins (including heads, tails, paws and other pieces or cuttings, suitable for furriers' use), other than raw hides and skins of heading 4101, 4102 or 4103:	
		4301 80 70		furskins, whole, with or without head, tail or paws other than mink, lamb and fox, marmots and wild felines	
4302				Tanned or dressed furskins (including heads, tails, paws and other pieces or cuttings),	

⁶ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:291:0001:0894:EN:PDF>

Trade code				Product group	Product
4 digit	6 digit	7 digit	9 digit +		
				unassembled, or assembled (without the addition of other materials) other than those of heading 4303:	
		4302 19 41		Of whitecoat pups of harp seal or of pups of hooded seal (blue-backs)	
		4302 19 49		Of other seals	
	4302 30			Whole skins and pieces or cuttings thereof, assembled:	
		4302 30 10		Dropped ⁷ furskins	
		4302 30 51		Of whitecoat pups of harp seal or of pups of hooded seal (blue-backs)	
		4302 30 55		Of other seals	
4303				Articles of apparel, clothing accessories and other articles of furskin:	
	4303 10			Articles of apparel and clothing accessories:	
		4303 10 10		Of furskins of whitecoat pups of harp seal or of pups of hooded seal (blue-backs)	
		4303 10 90		Of other seals	
			4303 10 900*	Furs, skirts and trousers	Jackets
					Coats
					Vests
					Ivalos/ Ponchos
					Trousers
					Skirts
			4303 90 000*	Bags and purses	Bags
					Purses
					Hunters purses
					Mobile Purses
					Key and card purses
			4303 90 00 01*	Other seal goods	Wallets
					Slippers
					Gloves
					Belts
					Organisers
					Pencil cases
					Notebooks
					Spiral books
					Address books
					Tents
					Kayaks
0507				Ivory ⁷ , tortoiseshell, whalebone and whalebone hair, horns, antlers, hooves, nails, claws and beaks, unworked or simply prepared but not cut to shape; powder and waste of these products:	
		0507 90 00		Other than ivory powder and waste	
			0507 90 002*	Walrus teeth	
9601				Worked ivory, bone, tortoiseshell, horn, antlers, coral, mother-of-pearl and other animal carving material, and articles of these materials (including articles obtained by moulding):	
		9601 10 00		Worked ivory and articles of ivory	Earrings

⁷ Throughout the nomenclature, elephant, hippopotamus, walrus, narwhal and wild boar tusks, rhinoceros horns and the teeth of all animals are regarded as 'ivory'.
<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:291:0001:0894:EN:PDF>

Trade code				Product group	Product
4 digit	6 digit	7 digit	9 digit +		
					Appendages
					Finger rings
					Charms
					Key chains
					Ornaments
0510					
		0510 00 00		Ambergris, castoreum, civet and musk; cantharides; bile, whether or not dried; glands and other animal products used in the preparation of pharmaceutical products, fresh, chilled, frozen or otherwise provisionally preserved	Seal products used for in the pharmaceutical industry
3001				Glands and other organs for organo-therapeutic uses, dried, whether or not powdered; extracts of glands or other organs or of their secretions for organotherapeutic uses; heparin and its salts; other human or animal substances prepared for therapeutic or prophylactic uses, not elsewhere specified or included.	Heart valves that may be used for hart transplantations in the future

Source: The Nomenclature - Commission Regulation No 1031/2008; *list of trade codes from Greenlandic tax authorities, used for issuing export licences in Greenland

It should be noted that all foodstuffs currently fall under the EU's General Food Law, which already contains compulsory traceability for food and feedstuff producers. This means that any producer of feed or foodstuffs (including vitamins and food supplements), should already have a traceability system, although this does not trace back to ethnic origins (Inuit and indigenous hunt) but rather to geographical origin and chemical composition

4 Key issues

Implementing the Regulation entails principally the establishment of a set of requirements that economic operators looking to place seal products on the EU market should fulfill.

It is recommended that the minimum requirements should at least include the following three key aspects:

- 1) Identification requirements
- 2) Record and record keeping requirements and
- 3) The ability to produce traceability reports (verification).

Following the preliminary study findings, it appears that the implementing rules should be best set in a flexible way, to allow for the different situations in the affected countries and communities as described above. I.e. one option could be that the implementing rules should specify *what* is required, economic operators would then be left to decide *how* they could best meet these requirements (what system to be put in place).

Minimum requirements of the Regulation

Identification requirements

It is recommended that trade codes are further developed which would then trigger customs officials. They would subsequently need to know what to look for.

The identification requirements for the product then could include principally three elements:

- 1) The hunter (either an Inuit / indigenous hunter or licensed hunter for resource management purposes)
- 2) The collecting station (designating the territory / geographical location)
- 3) The product (essentially traces the transaction between the hunter and the collecting station).

Records and record keeping

Record keeping requirements include the ability to produce on demand records that contain the identification of the product. This should contain proof that the hunter or product fulfills the conditions set out in the Regulation. This record should be provided by the economic operator upon request. The way in which this is done should be left to the economic operator. Possibly they could operate their own database, or obtain information from upstream trading partners.

Producing traceability reports

This appears to be the most complicated part of the requirements, as it implies the development of some kind of form or communication that the exporter would send along with the actual product. It is recommended that this should be a standardized form per country, which would include the principles of identification and record keeping. This could take different forms, e.g. self declaration, declaration by a trade association or by national or sub-national Government authorities. It could also entail a certificate originating from a certification scheme. As already mentioned earlier, the implementing rules should be flexible enough to allow for different schemes, according to different situations in the different affected countries and communities. The form should essentially be an attestation of an appropriate identification and record keeping system that is verifiable. In other words it declares that the requirements are met and that the economic operator issuing the forms is open to verification.