

Production in China

Market consequences for the Norwegian seafood industry

Finn-Arne Egeness

Two different markets

- The European market for frozen cod fillets
 - The same raw material
 - The same product
- The Brazilian market for dried and salted fish products
 - Different raw material
 - More convenient product

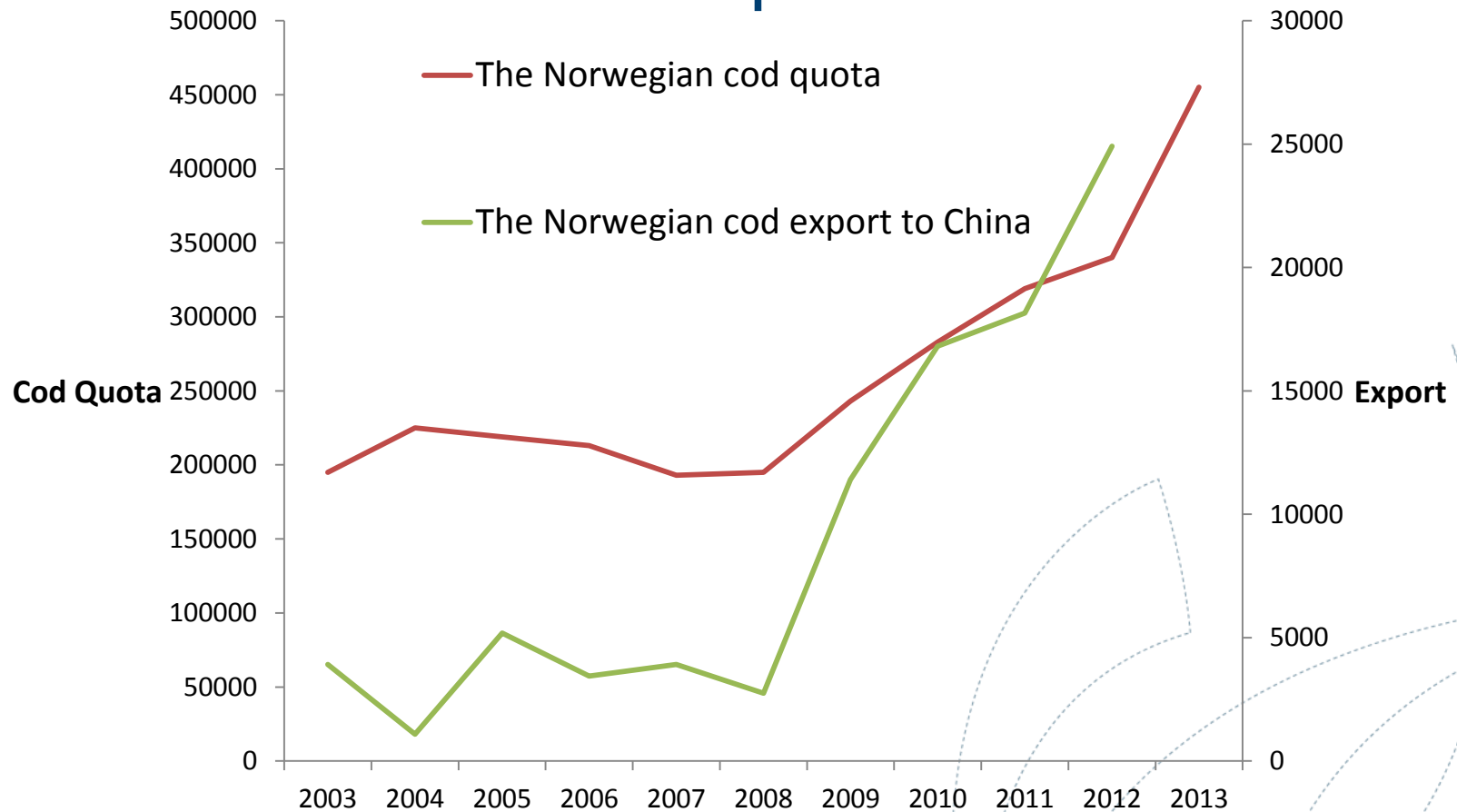
Frozen cod fillets

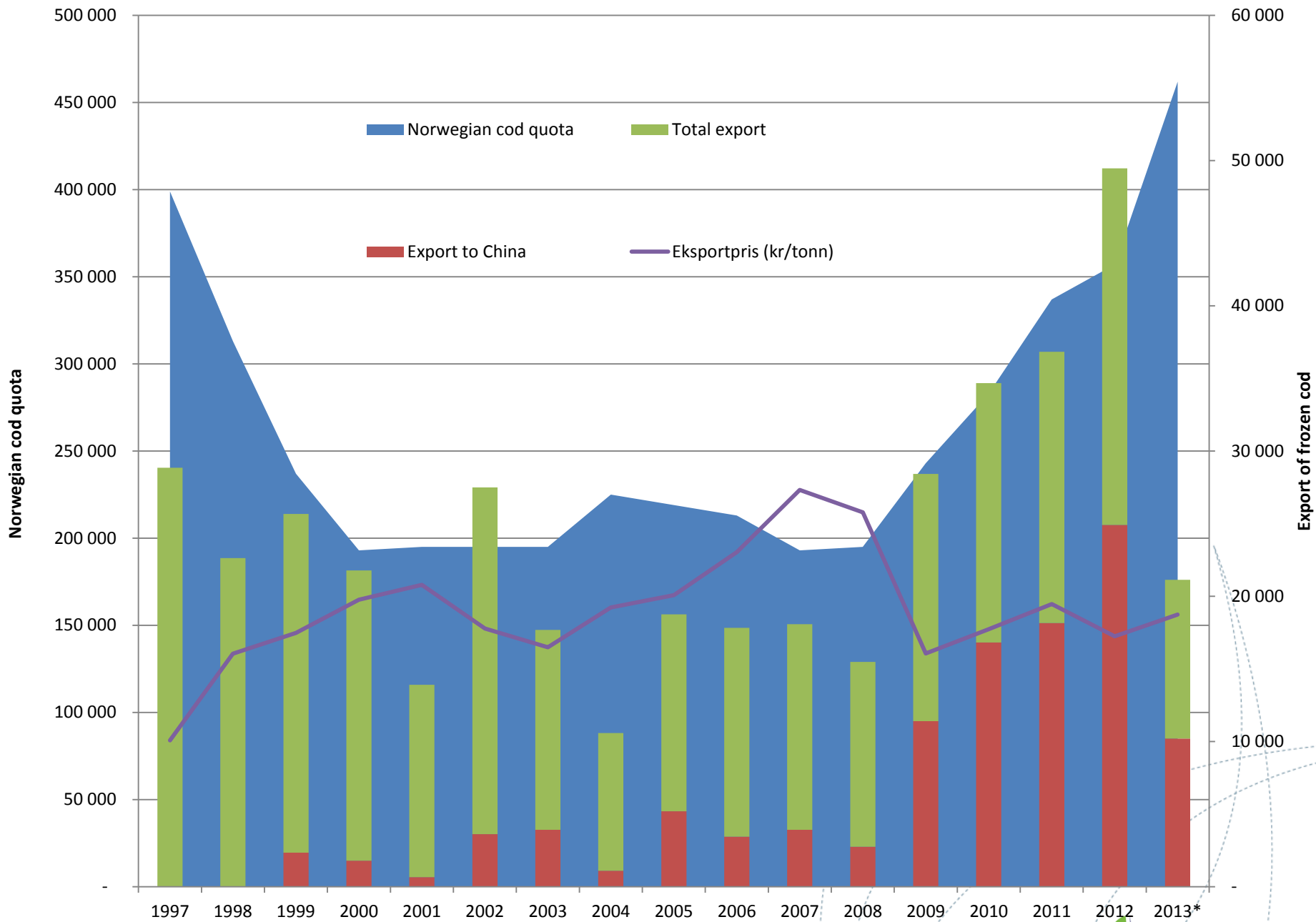
- China is both a major market and a major competitor
- The Norwegian fishing fleet
 - ❑ China is a major market
- The Norwegian seafood industry
 - ❑ China is a major competitor

Norwegian export of frozen headed and gutted cod in value (2012)



Norwegian export of frozen headed and gutted cod to China and the Norwegian cod quota

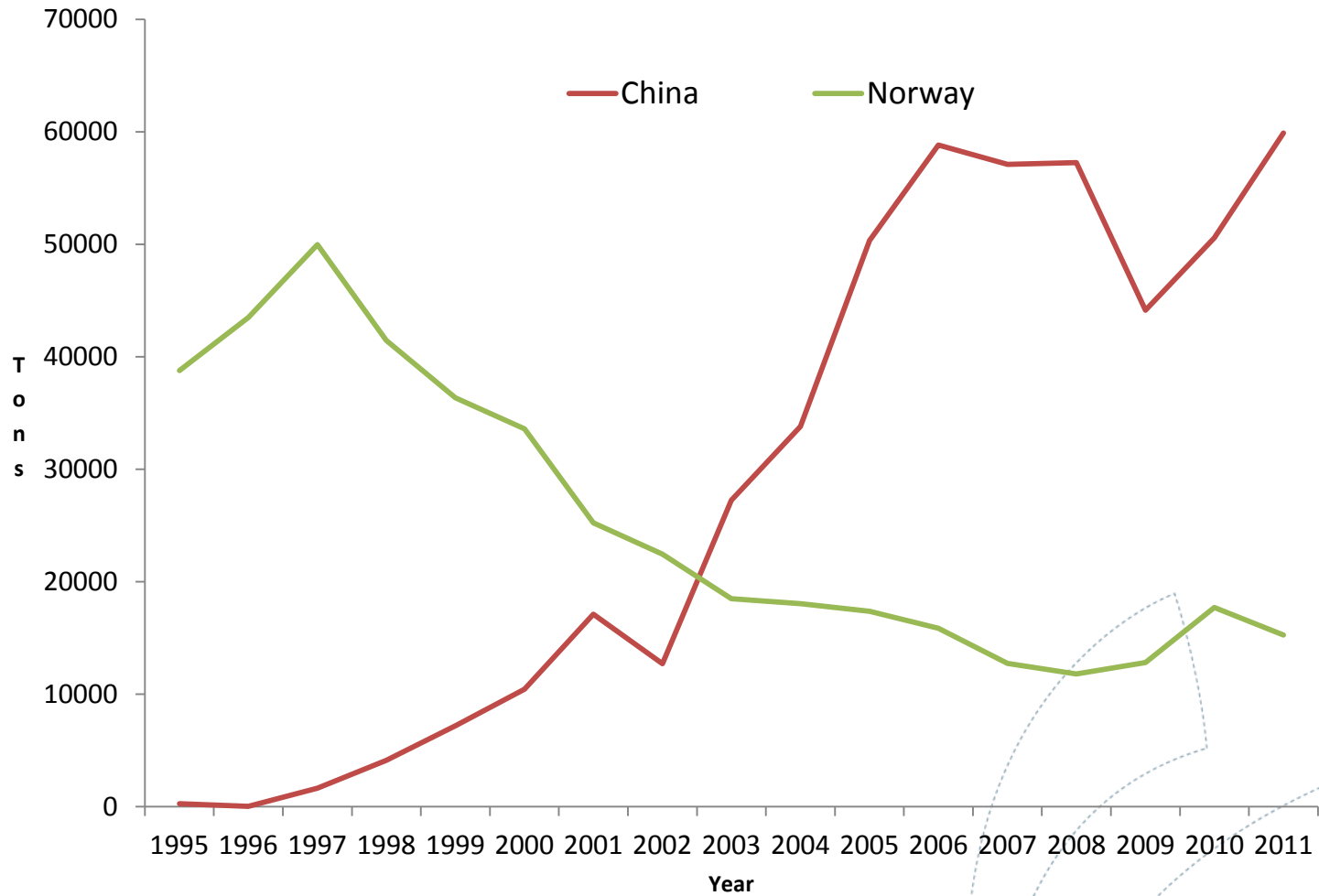




China as a competitor

- The Norwegian cod exported to China is processed and re-exported to Europe as frozen cod fillets
- Norway has also been and is a major producer of this product
- How has the Chinese production affected the Norwegian export of frozen cod fillets to EU?

EU import of frozen cod fillets



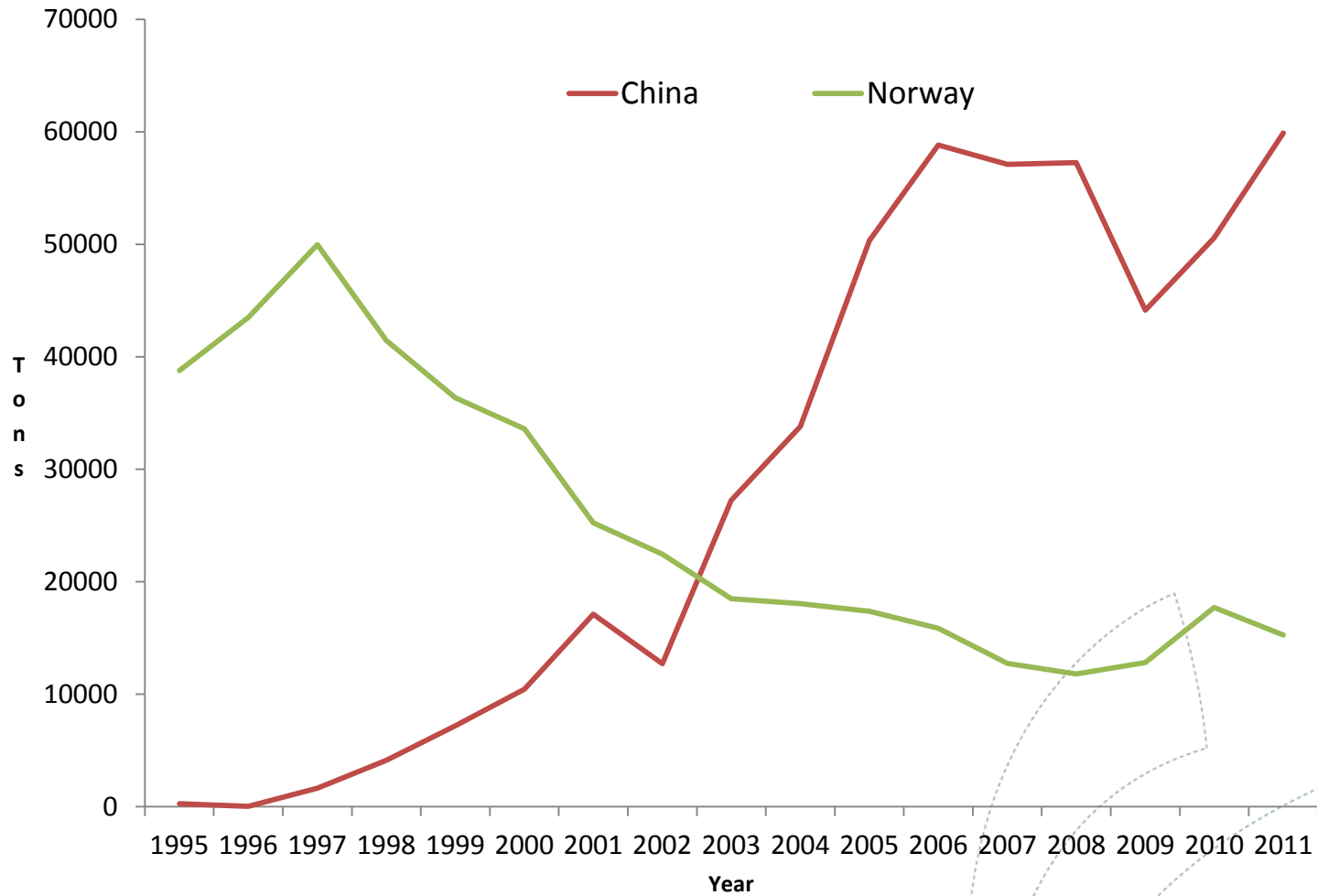
China as a competitor

- Low cost access to labor
- Manual fillet production
 - Higher yield
 - Lower investment in capital intensive technology
- Chinese industry can offer
 - Lower price than the competitors
 - Deliver according to more demanding product specifications

China as a competitor

- Price is the most important buying criteria
- China has the lowest production costs and offer the cheapest products
- The quality of double frozen cod fillets is acceptable to the European market
- Deliver according to more demanding product specifications

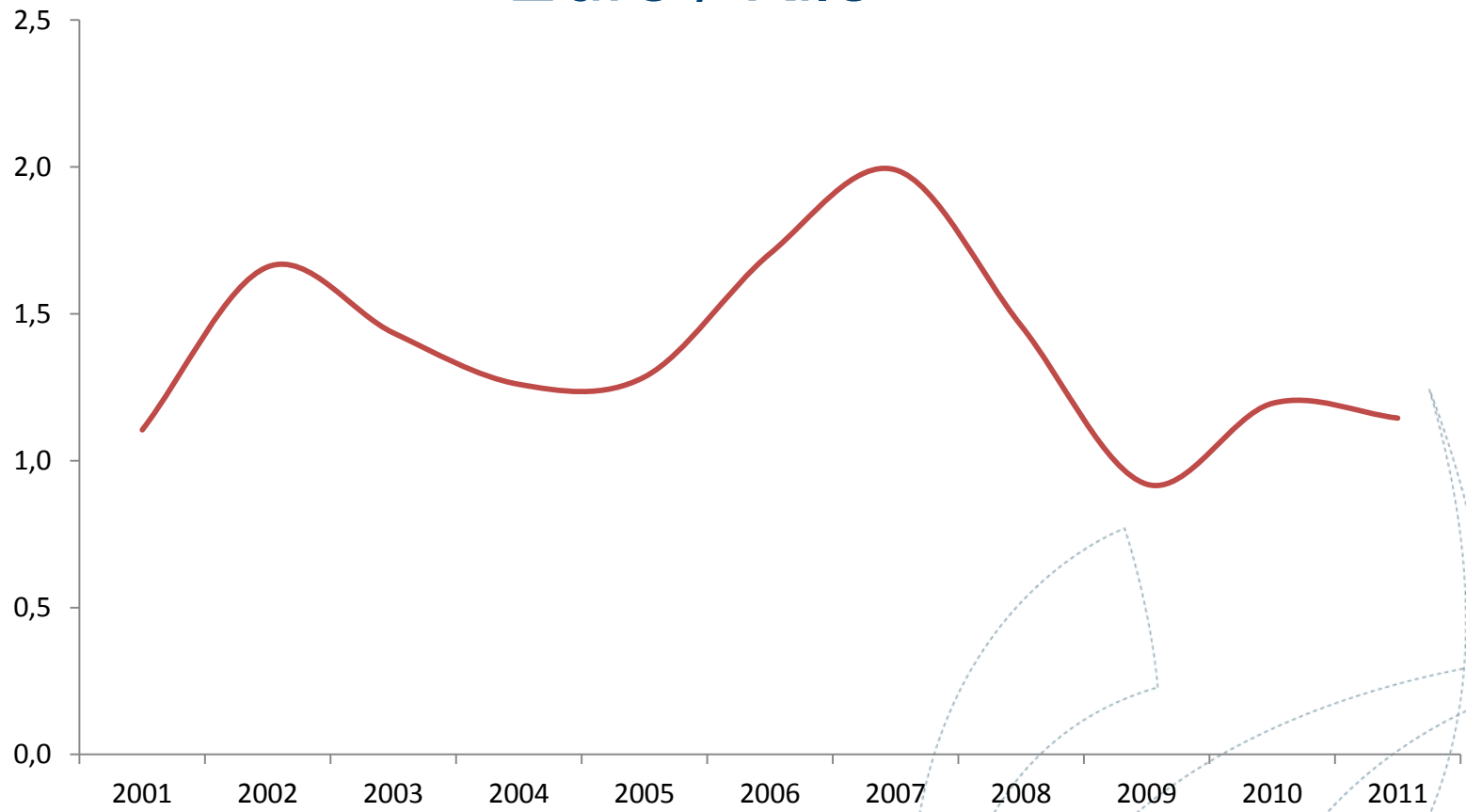
EU import of frozen cod fillets



Norwegian strategies

- Increased focus on fresh fillets to avoid competition from China
 - ❑ Increased production of fresh fillets
 - ❑ Reduced production of frozen fillets
- Norwegian single frozen cod fillets still achieve a price premium

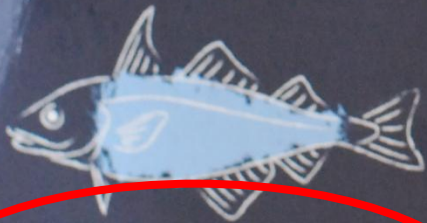
Price difference between Chinese and Norwegian frozen cod fillets imported to EU Euro / Kilo



MARKS &
SPENCER

Icelandic Haddock Fillets

Our sustainably sourced
Haddock fillet has a medium
flavour and has a large
flaking texture



Exactly the same fresh fish as you
find in our chilled range... just frozen



SERVING SUGGESTION
MINIMUM 5 FILLETS

PER FILLET PROVIDES

CALLS 90	SUGAR nil	FAT 0.7g	SAT FAT 0.1g	SALT 0.18g
5%	0%	1%	1%	3%

OF YOUR GUIDELINE DAILY AMOUNT



NO

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DISPLAY UNTIL
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JAN 13
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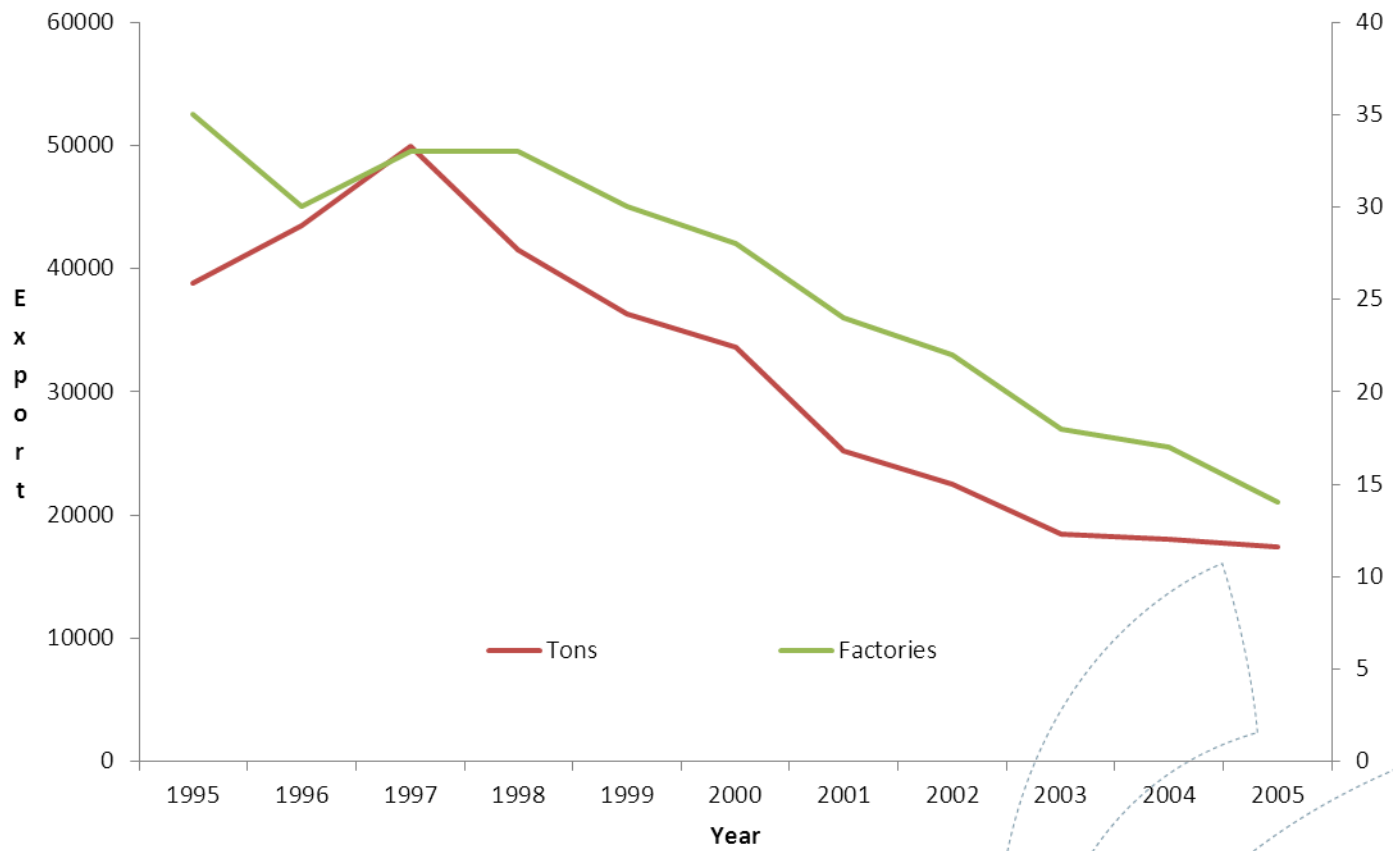
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KEEP FROZEN

Summary

- China is both a market and a competitor for Norway
- China is the biggest exporter to EU due to low price
- The Norwegian export of frozen fillets of cod to EU has been reduced by 75 % during the last 15 years
- Norway still achieve a price premium for frozen cod fillets, average EURO 1,4 last 10 years
- Small sized market segments

Number of whitefish filleting factories in Norway and total cod fillet export to EU





Brazilian market for dried and salted fish products

- Dried and salted cod is the original «bachalau» in Brazil
- Due to limited purchasing power there is a demand for cheaper alternatives
- Dried and salted saithe (*Pollachius virens*) has been a cheaper alternative produced in Norway
- Salted Alaska pollock (*Alaska theragramma*) produced in China is a fast growing alternative to saithe

congelados

OFERTA
FILE
PEITO
TOMARTE
7,15

OFERTA
PIZZA
5,88

Carnes

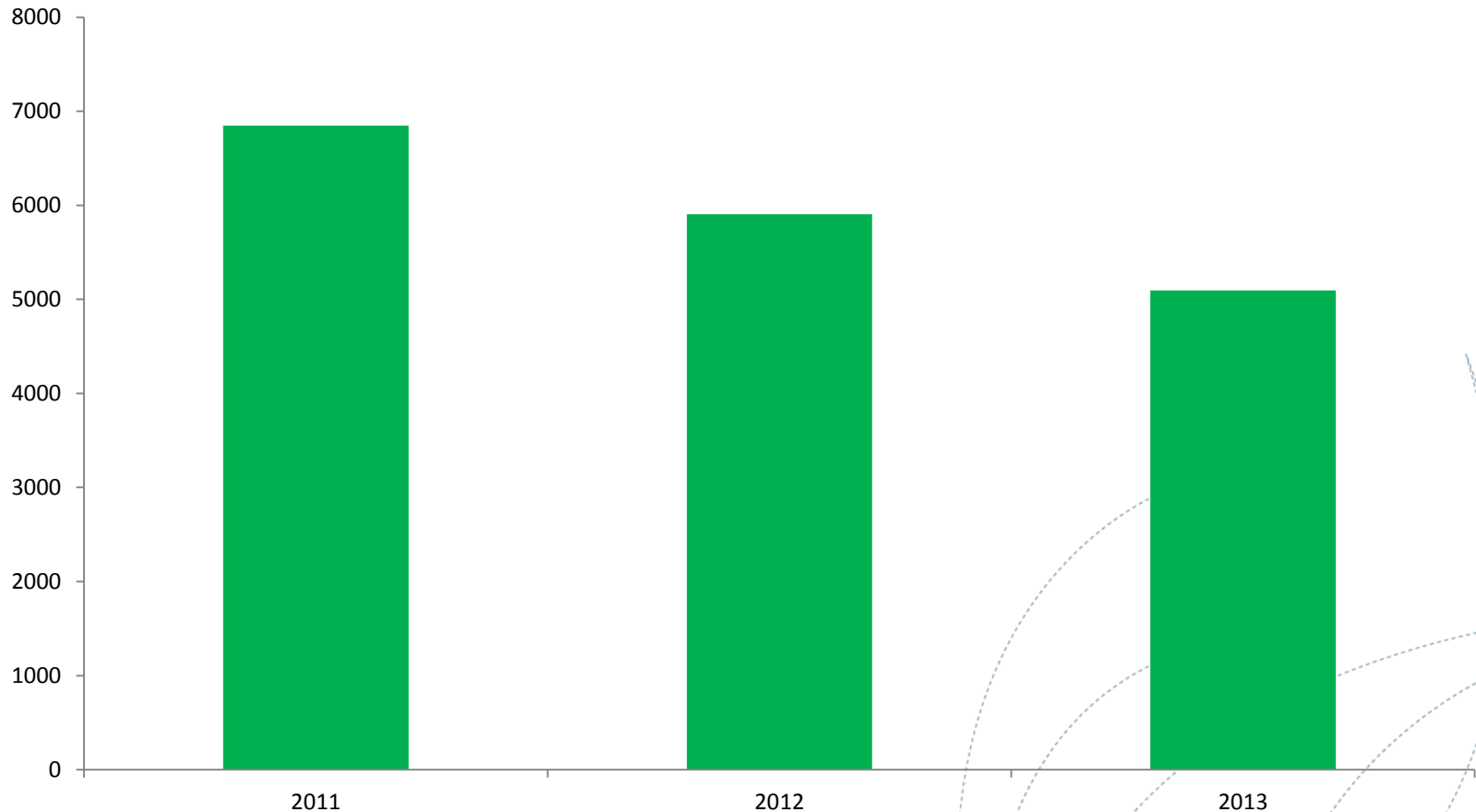
O menor preço total
POLACA
SALGADA DESTIADA
400g
6,90

ESCATTO

OFERTA
PORCO
11,50
OFERTA
VERDELE
7,75



Norwegian export of dried and salted saithe to Brazil (January – April)



Saithe

Alaska pollock



Summary

- Price is an important buying criteria for those who can not afford dried and salted Cod
- Alaska pollock is winning market shares
- Alaska pollock versus satehe on the consumer level
 - Cheaper alternative
 - Whiter
 - More convenient

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Topics to discuss

- What is the most important buying criteria when buying frozen raw material from Norway?
- From which nations do you buy frozen headed and gutted cod?
- How flexible are you when buying frozen raw material? Can you replace Northeast Atlantic Cod (*Gadus morhua*) with Pacific Cod (*Gadus macrocephalus*) when producing frozen cod fillets?
- How do you perceive the competition from the Norwegian seafood industry and their production of frozen cod fillets?
- Have cheaper cod fillets from China made market development possible?