

# 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

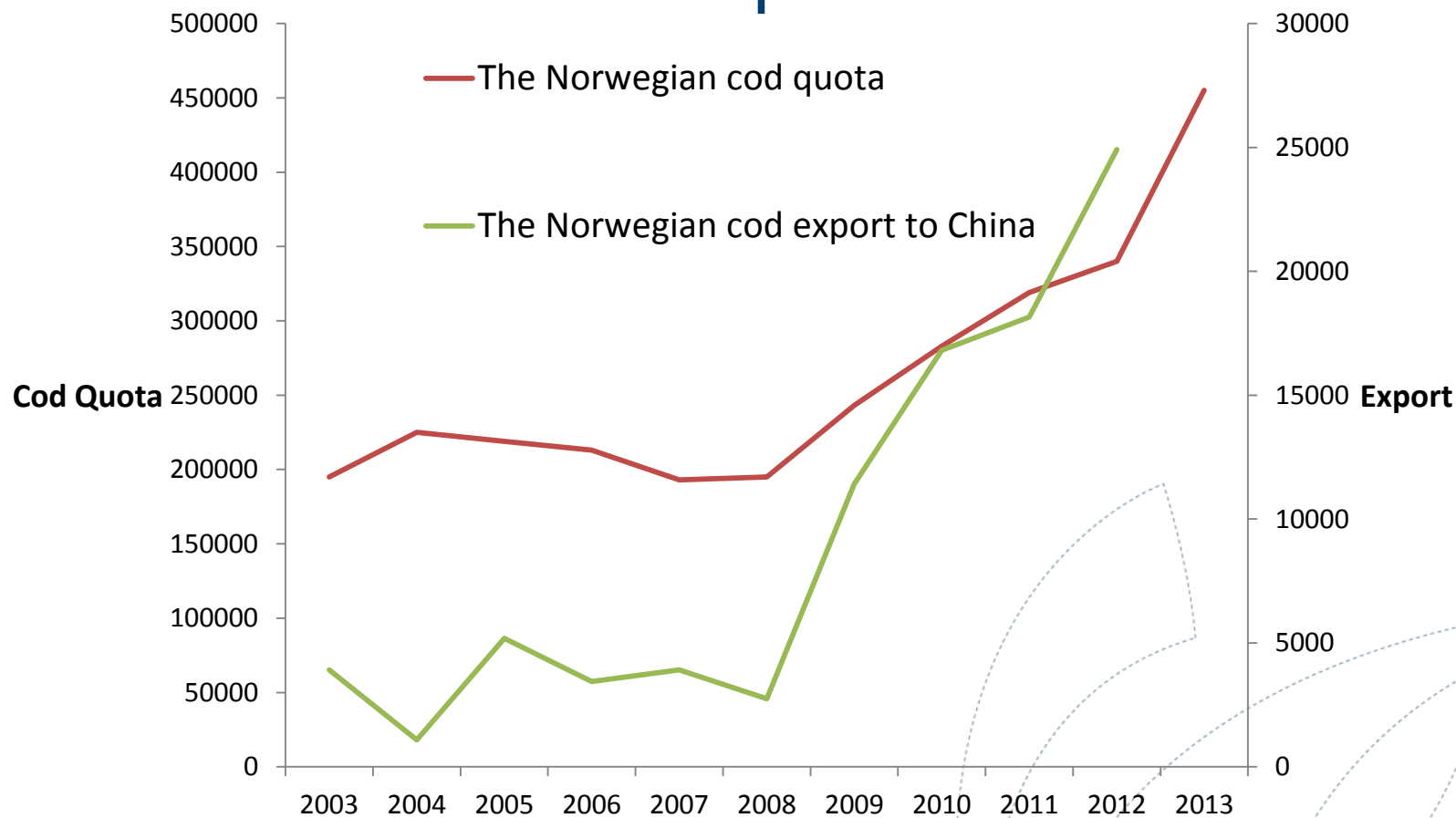
# Frozen cod fillets

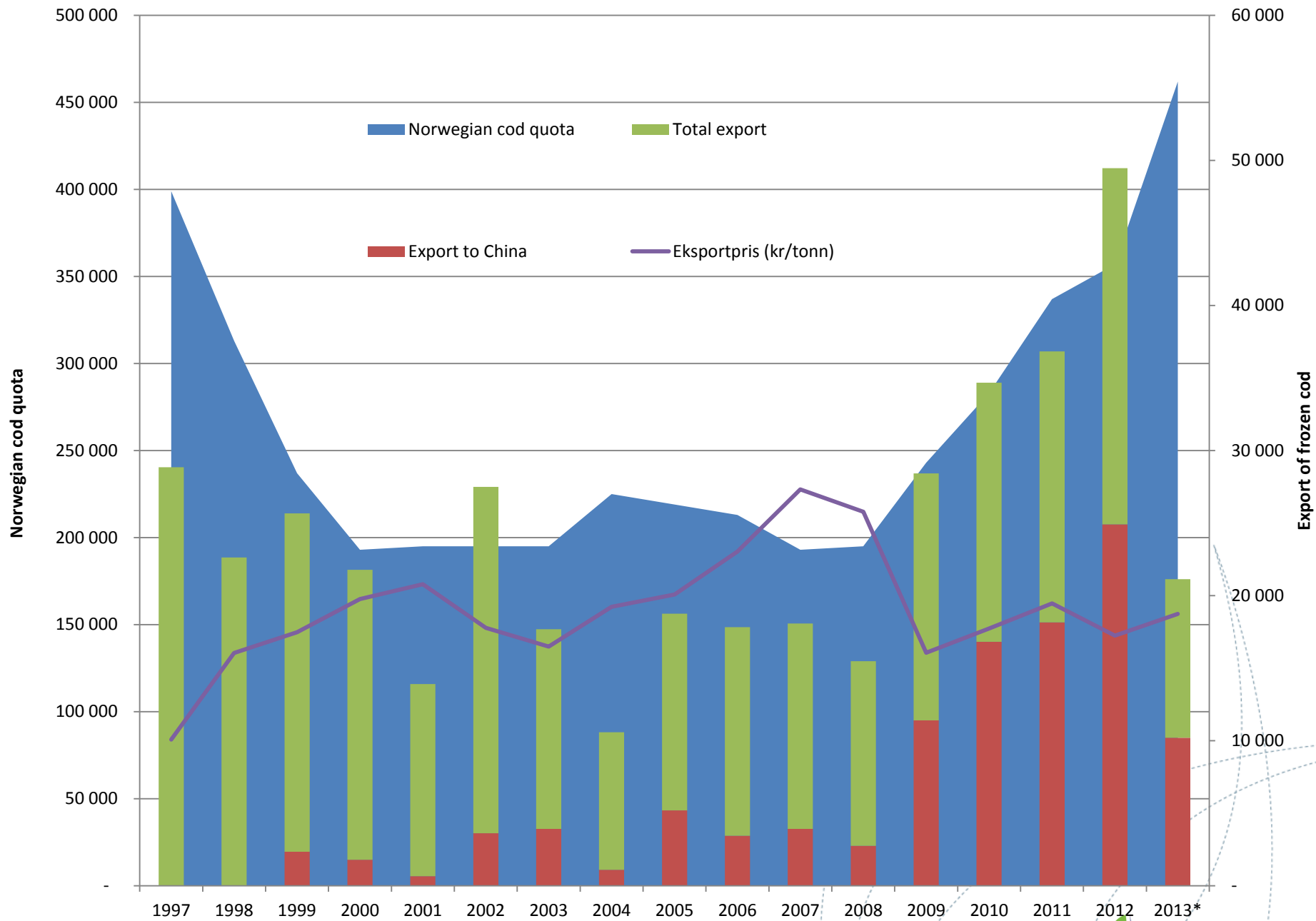
- China is both a major market and a major competitor
- The Norwegian fishing fleet
  - ❑ China is a major market
- The Norwegian seafood industry
  - ❑ China is a major competitor

# 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

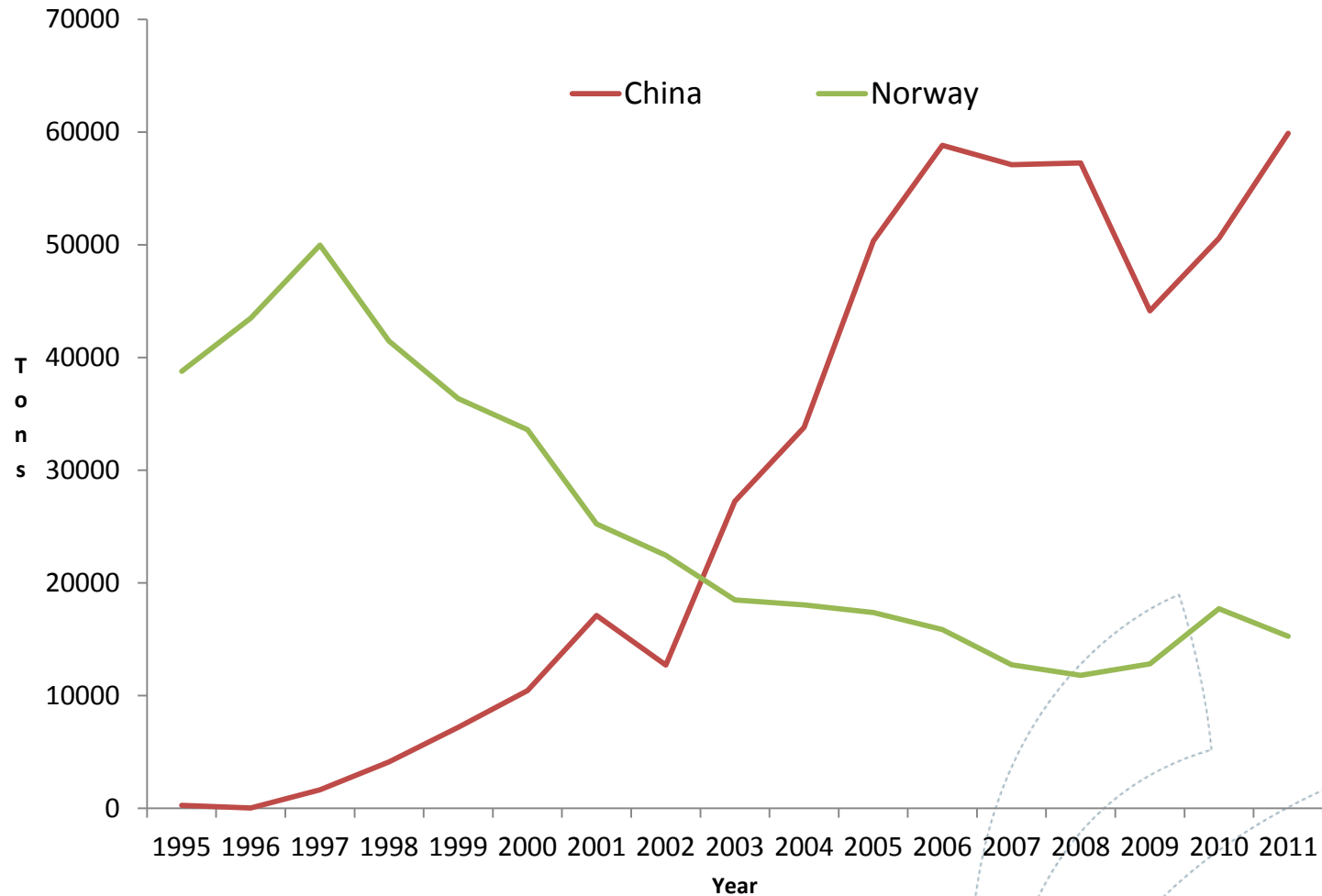




# China as a competitor

- 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





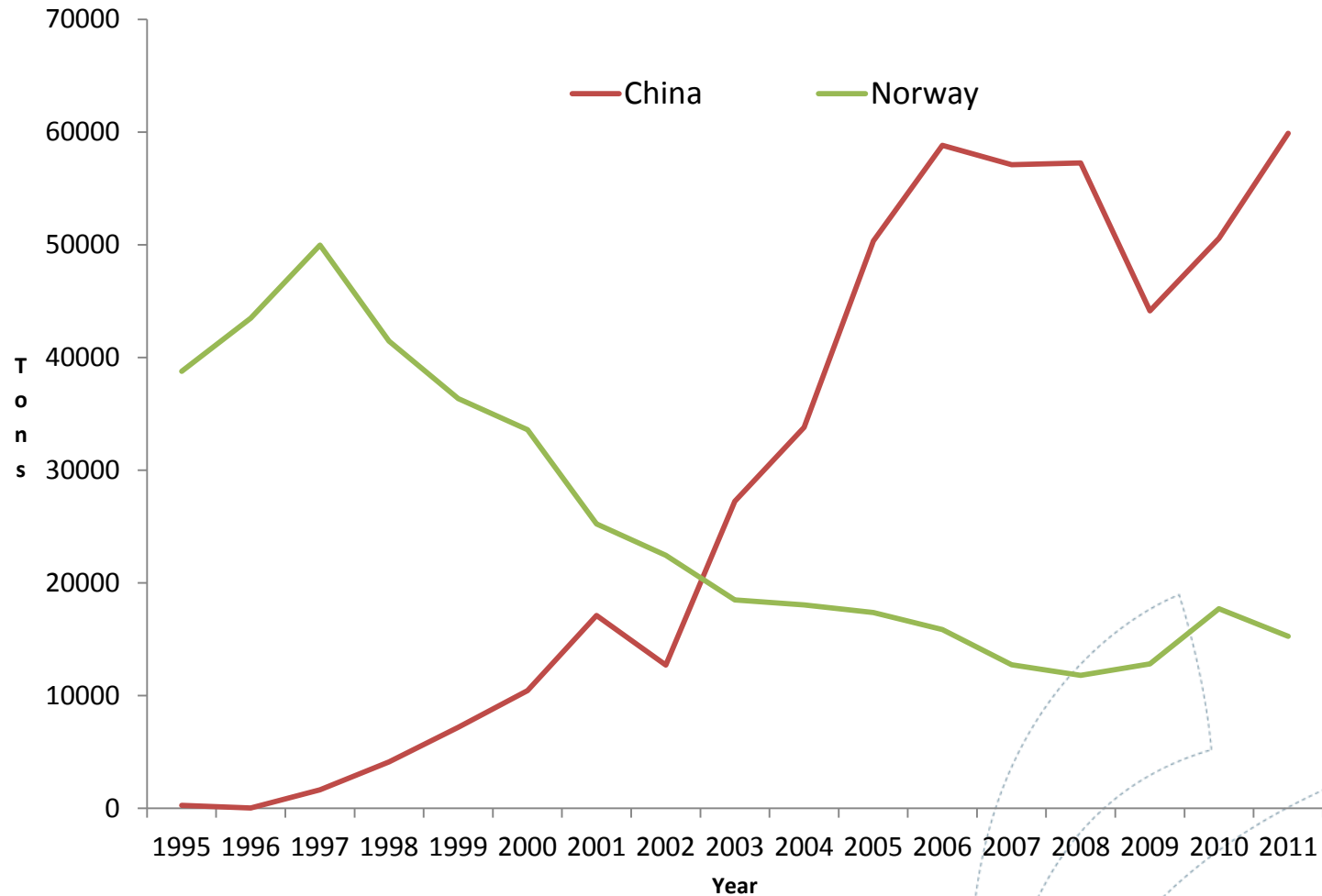
# China as a competitor

- 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

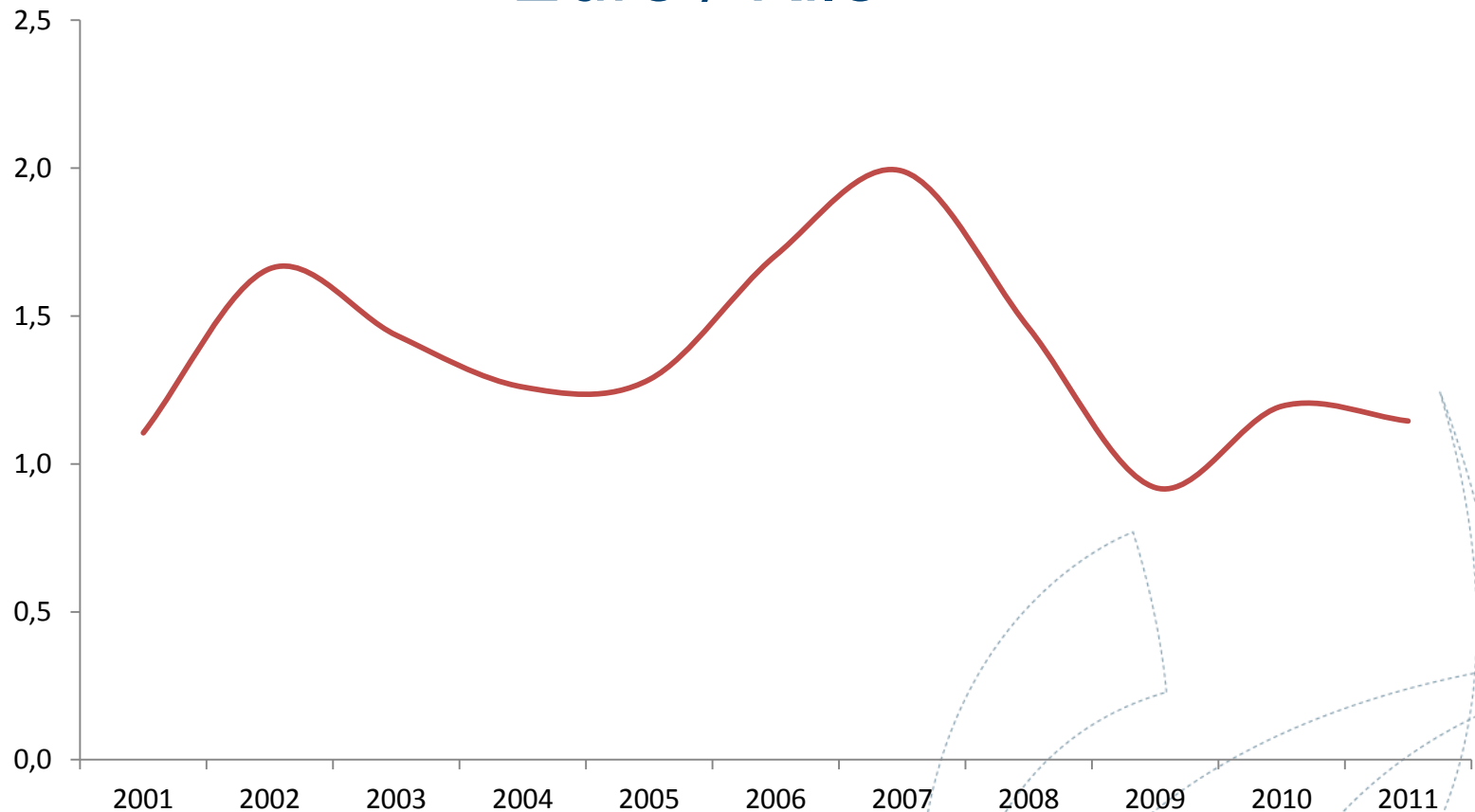


# Norwegian strategies

- 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

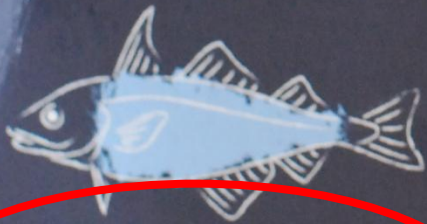
## Euro / Kilo



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<br>90                    | SUGAR<br>nil | FAT<br>0.7g | SAT FAT<br>0.1g | SALT<br>0.18g |  |
| 5%                             | 1%           | 1%          | 1%              | 2%            |  |
| OF YOUR GUIDELINE DAILY AMOUNT |              |             |                 |               |  |

NO  
SKIN ON  
BONE

READY  
TO  
COOK

500ge

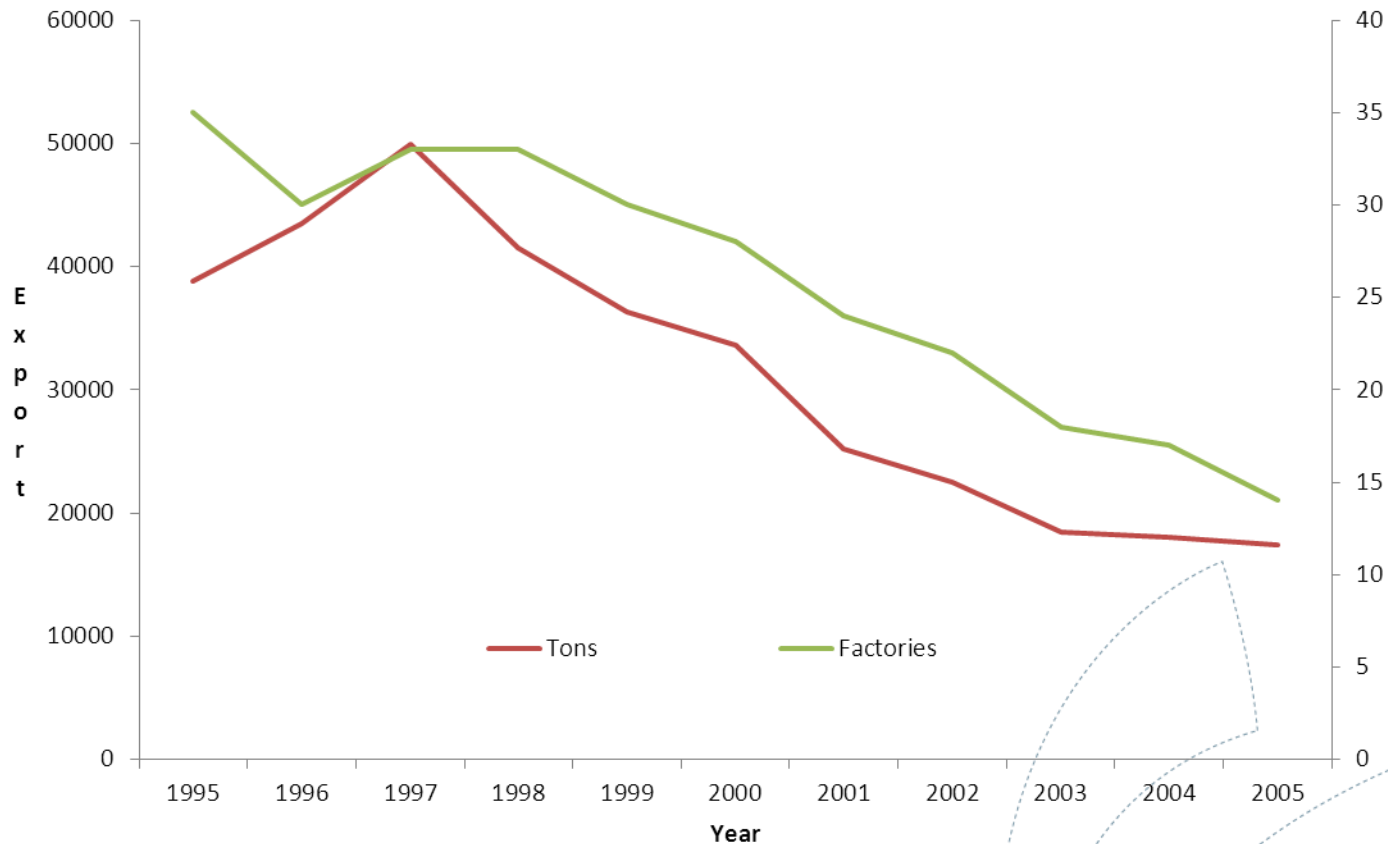
| DISPLAY UNTIL<br>- END | BEST BEFORE<br>- END |
|------------------------|----------------------|
| JAN 13<br>F            | FEB 13               |

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

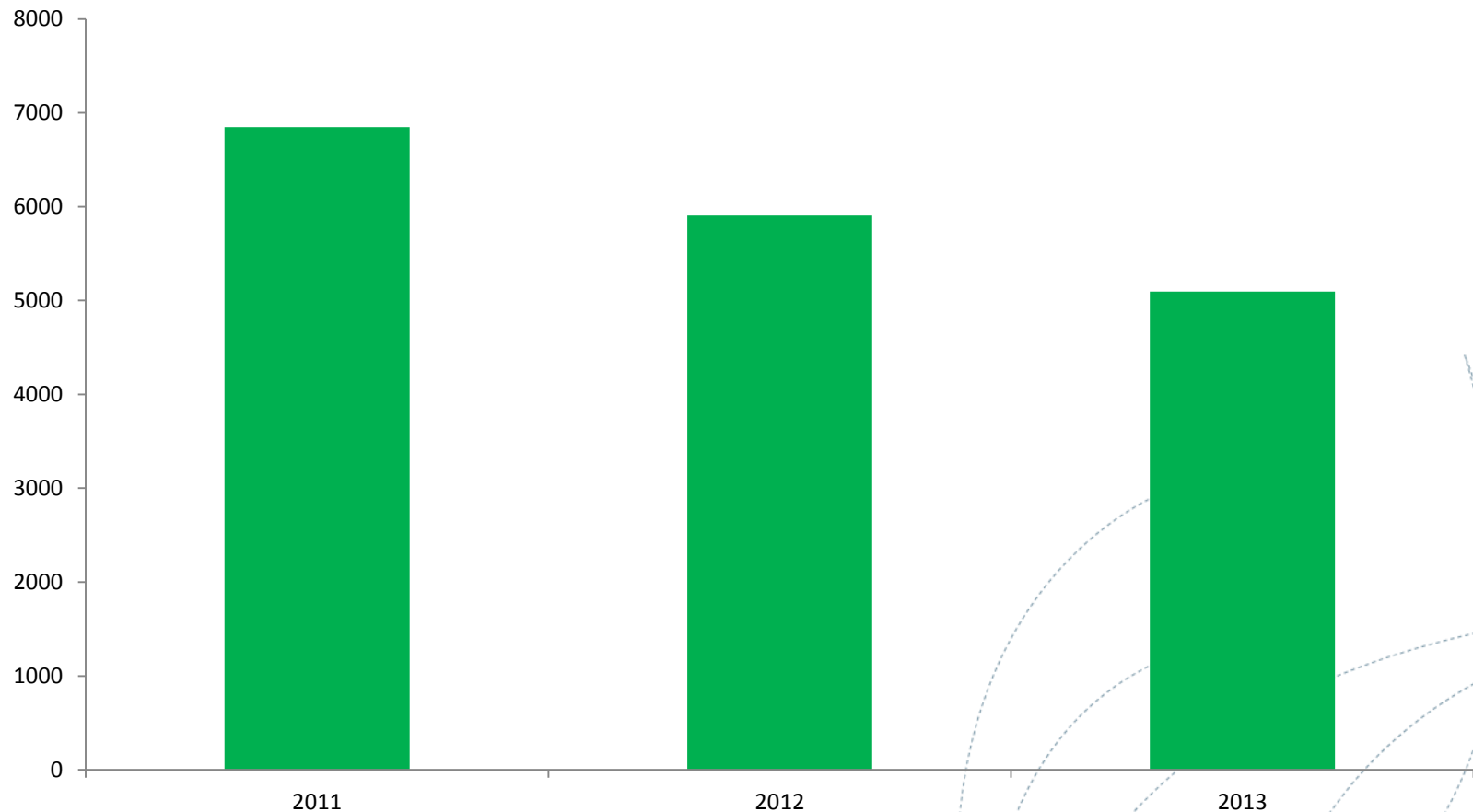
O menor preço total  
**POLACA**  
SALGADA DESTIADA  
400g  
**6,90**

ESCOTTO

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 satihe on the consumer level
  - Cheaper alternative
  - Whitere
  - More conveniente

# Production in China

## Market consequences for the Norwegian seafood industry

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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?