

NORTH ATLANTIC SUPPLY

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There have been significant organizational changes at Aker Seafoods just recently, which the speaker explained briefly.

Figure 1 Present organization of Aker Seafoods

Aker Seafoods is the largest whitefish company in Norway. In 2010, the turnover was 2.9 billion NOK and operating results were the best in the company's history. Last year, the Board decided to split the company into two entities. Aker Seafoods continues to own and operate the harvesting segment, with approximately 10% of the Norwegian quota for cod. The second part is Norway Seafoods, a company specializing in whitefish processing and sales. Norway Seafoods is currently owned 100% by Aker Seafoods.

Figure 2 Norway Seafoods

Norway Seafoods is a leading whitefish company. Revenues in 2010 were close to EUR 300 millions. The key markets are France and Scandinavia. The company is well established to further develop the whitefish segment in the market. The primary market is retail and the company provides solutions for both fresh and frozen products, including value added products. Whitefish products in all forms are also available for the industrial segment. Norway Seafoods operates processing plants in Norway, Denmark and France. The activities are primarily based on whitefish, salmon and trout. The management believes that Norway Seafoods should take part in a much needed consolidation of the European processing industry and is therefore seeking partners that can complement Norway Seafoods and who share the view that the processing industry needs to gain more strength to even the playing field with its customers.

Figure 3 Atlantic supply 2012

The quota situation for Atlantic cod, the most important species, is positive. Quotas for Northeast Arctic cod have increased significantly since 2007 and are expected to increase again for 2012. Overall, a 4% increase is estimated in the world supply of Atlantic cod for next year. Haddock has also increased over the past year and this trend is expected to continue, with the growth to be approx. 3.5% in 2012.

The situation for saithe is negative and a 2.5% decline of saithe supply is expected. In particular, there are concerns about the biomass situation in the North Sea. Redfish supply seems to be stable, despite the fact that some organizations have this fish as one of their "red listed species".

Figure 4 Market trends for Atlantic groundfish

The conventional sector is very strong. The growth in various forms of salted and dried products is surprising, and in 2011 an increase of 7% is expected compared to 2010. The market for fresh products is under pressure and the market for fresh cod is contracting. The market for fresh haddock products is increasing, following a significant increase in catches, for instances in Norway. The market for frozen products is expanding. Frozen cod products are in demand and so are haddock products.

Figure 5 Strong conventional sector - salted and dried products

Sales of salted and dried products are increasing in most markets, showing growth of about 7%. There is a very strong development in Europe, led by Portugal as the main market. In total, the increase in the EU market is about 10%. This is surprising, given the fact that 2009 was also a strong year and that the economic development in Portugal is weak. However, as stocks were almost none at the end of 2010, some of the growth this year is not yet sold to consumers. The Christmas sales will be very important to determine the actual development in the market and weak sales will signal a more modest development for 2012.

The African market is growing with double digits and this is also true for Asia. South America is also showing a strong development with a 6% growth, primarily driven by Brazil. An increase in value-added products that can be conveniently prepared at home is observed in this market. Production out of China is growing significantly at the expense of production in Norway.

Figure 6 Signs of weakness in the fresh market?

The development in the fresh market, which is primarily the EU market, is disappointing. H&G cod is stable overall, exports out of Norway have increased, whereas exports out of Iceland have decreased. The main worry is that the market for fresh fillets of cod has decreased in total by 7-8% compared to 2010. Both Norway and Iceland have falling export figures for these products. Sales of fresh haddock fillets are increasing but the baseline volume is low and some or all of the growth can be attributed to increased catches.

Why is the fresh market showing signs of weakness? Promotional support has been good after the financial crises but has lately been weaker. With high salmon prices retailers have put more emphasis on fresh products of other species. The seafood counter is not isolated from the general economic development and there is concern that consumers are taking a “value for money” perspective when shopping for food. Many segments of retail observe declining sales and major retailers have reported reduced profits. In our crystal ball we are concerned that the fresh market for groundfish will continue to be weak. The steep decline in salmon prices since this spring will put pressure on prices in the seafood counter and most likely shift consumers towards Atlantic salmon at the expense of other seafood, unless other products also follow suit.

Figure 7 Frozen fillets in demand

Consumer interest in “value for money” is also seen in the frozen groundfish sector and frozen products in all forms are in demand. Frozen cod fillet sales are growing by 12-13% with Iceland, Russia and China increasing their production in this segment. Norwegian producers, however, have lost market share. Production of frozen haddock fillets is also increasing, in particular reprocessing. The market for frozen H&G products is increasing, especially in the EU.

Clearly, frozen fillet products are in demand - whether sea-frozen, produced from fresh or reprocessed.

Figure 8 Conclusions

To sum up a brief perspective on Atlantic supply:

- The supply situation is positive, except for saithe.
- In the market, the conventional dried and salted sector shows the way with strong demand in most markets and an increase in value-added products. Also worth noting is that China is a growing producer of such products.
- The fresh market needs a vitamin injection. Given the economic downturn and the low salmon prices this market is of concern, and no easy fix is available. Most likely, producers will need to shift or reduce their capacity.
- The market for frozen products is very strong. Keeping the cost of production low increases the opportunity to provide consumers with “value for money”.