

Economic review of the seafood industry

Welcome to the third edition of Seafood New Zealand's economic review. The review is intended to provide readers with a quarterly update of what's happening in the seafood industry balanced with some general information about the economy. We hope you find the content useful, interesting and informative. We welcome your feedback and suggestions, please email: info@seafood.org.nz

IN THIS EDITION

- The global economy seems to be settling down with a less threatening outlook than in 2012.
- Despite the high New Zealand dollar, primary exports continue to grow. Seafood exports were up 2.6 percent compared with the same period in 2011. Export value per tonne was up by four percent.
- Exports to Asia continue to grow as China continues to maintain its position as our leading export partner. Exports to Japan and South Korea also grew strongly.
- We profile the Deepwater fishery in New Zealand and look at the growing trend towards sustainability certification.

THE ECONOMY

Negatively affecting the economic outlook is the projection for continued subdued activity in Europe and the United States. This weak outlook manifests itself through continued high bank funding margins and persistent strength in the New Zealand dollar.

Nonetheless, the global outlook appears less threatening than was the case in September. While continued recovery depends on policy support, the risk of a severe deterioration in the euro area appears to have decreased.

Economic growth in New Zealand's trading partners has remained slightly below trend over the past year. While weakness in the euro area and the US has dampened demand for New Zealand's exports, these economies only comprise a small share of New Zealand's export basket. Asia and Australia are New Zealand's main export destinations and growth in these regions has been relatively robust.

Challenging economic conditions in some Western economies have had a substantial negative impact on the New Zealand economy. The ongoing uncertainty has dampened consumer and business confidence, and resulted in elevated funding margins for banks, including those in New Zealand.

But perhaps the biggest impact of the slow global recovery has been through strength in the New Zealand dollar. The New Zealand economy has been performing better than many major economies, including the euro area, the US and Japan. While the New Zealand dollar also reflects a high terms of trade and improved market sentiment, the relative performance of the domestic economy contributes to the New Zealand dollar remaining persistently elevated.

Lingering strength in the New Zealand dollar has dampened export receipts. Export commodity prices in world terms have

declined on an annual basis, but remain elevated relative to the 2009 trough.

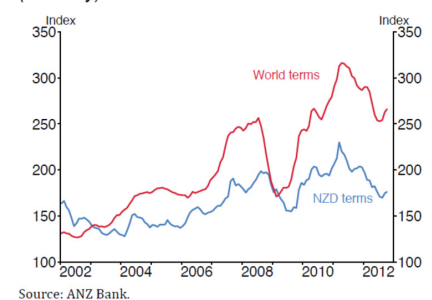
The impact of the high New Zealand dollar is also evident in some components of export volumes. Since 2004, exports of travel services, which include tourism

and education of foreign students in NZ, have been declining. Manufactured export volumes, while above their pre-crisis level, have continued their only slight growth of the past decade. Reflecting favourable prices and improved climatic conditions, primary export volumes have grown quite noticeably over the past few years.

This was evidenced in the nine months to 2012 export statistics. Exports of all commodities from New Zealand fell by just under three percent (2.6%)

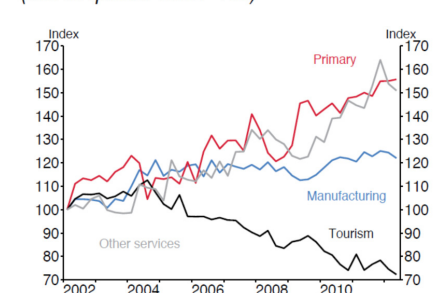
compared with the same period a year ago. In contrast, exports of seafood rose by 1.8 percent from \$1.031 billion to \$1.049 billion and exports of meat and fish preparations rose by 3.6 percent from \$207 million to \$214 million.

Export commodity prices
(monthly)



Source: ANZ Bank.

Export volumes
(March quarter 2002=100)



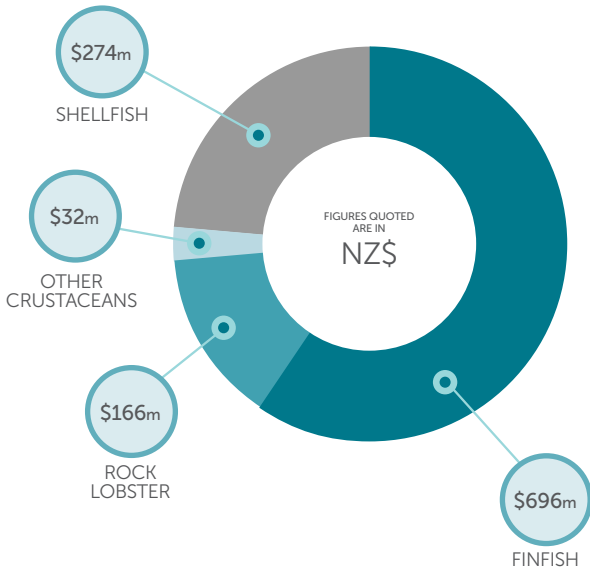
Source: Statistics New Zealand.

EXPORT STATISTICS

EXPORT NZ\$ FOB*

All figures in this section are based on export data provided by Statistics New Zealand and analysed by Seafood New Zealand for the first nine months of 2012 (Q3). Please note that the data for July, August and September 2012 are provisional.

Export value (Q3 2012) = NZ\$1,168 million

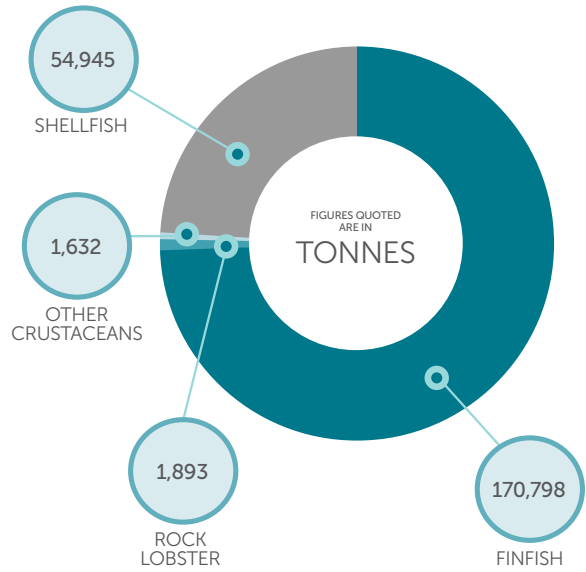


EXPORT TONNES

Total seafood exports for the first nine months of 2012 totalled NZ\$1,168m with over 229,000 tonnes exported.

Finfish species accounted for almost three quarters of exports and shellfish a quarter. Rock lobster and other crustaceans make up a tiny proportion of exports. However, rock lobster contributes over 14 percent to seafood exports in dollar terms.

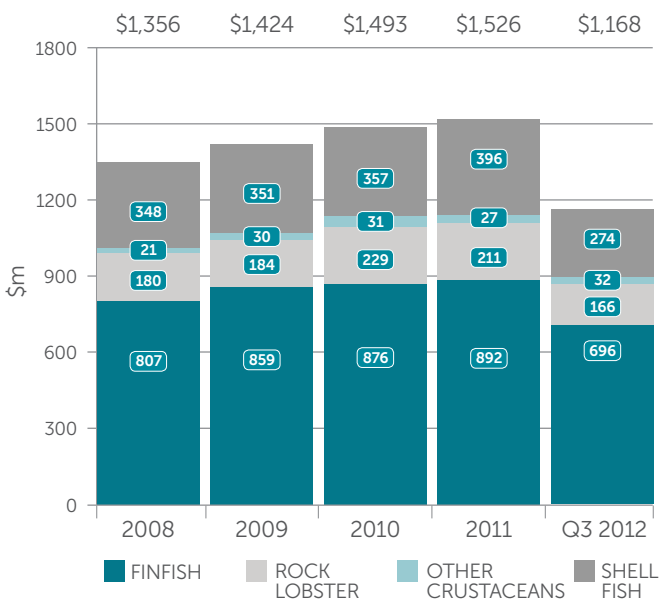
Export volume (Q3 2012) = 229,268 tonnes



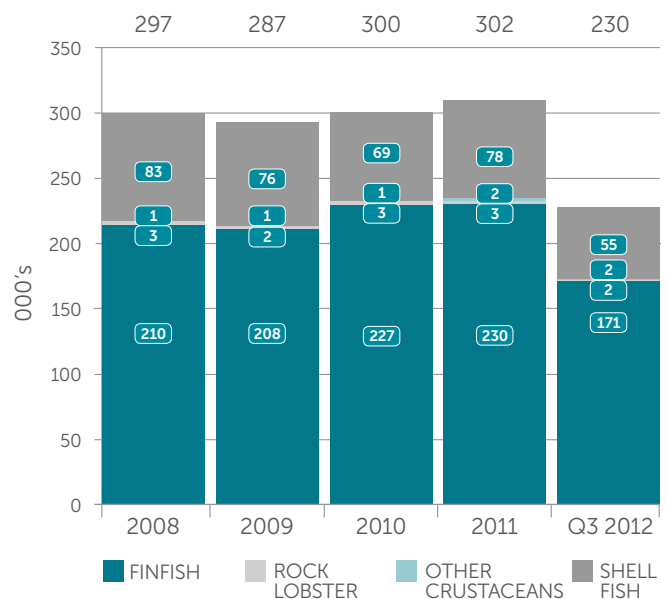
Compared with the first nine months of 2011, export tonnes dropped slightly by just over a percent. Despite the drop in volume, export value was up slightly – from NZ\$1,143m to NZ\$1,168m. This represents an increase in value per tonne of four percent.

The value of rock lobster only grew by 0.72 percent as a result of a drop in volume compared with 2011.

EXPORT NZ\$ FOB*



EXPORT TONNES



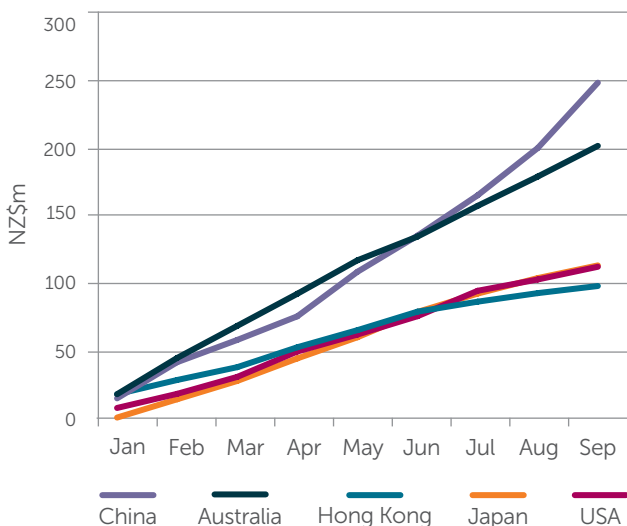
Source: Export data, Statistics New Zealand, Seafood New Zealand.

* FOB = Free on board. The value of export goods, including raw material, processing, packaging, storage and transportation up to the point prior to loading on board ship.

EXPORTS BY COUNTRY

There remains a distinct top five export countries: Australia, China, Hong Kong, Japan and the US. As shown in the graph below, exports to China grew strongly over July, August and September compared with Australia. Exports to Japan and South Korea also grew strongly while exports to other major countries fell.

Exports to top 5 countries – Q3 2012



	TOP 10 EXPORT VALUES (NZ\$)	Q3 2011	Q3 2012	% Change
1	China	222m	248m	▲ 12
2	Australia	202m	202m	- -
3	Japan	101m	115m	▲ 14
4	United States	126m	114m	▼ -10
5	Hong Kong	102m	100m	▼ -2
6	South Korea	41m	49m	▲ 20
7	Spain	44m	26m	▼ -41
8	France	26m	23m	▼ -12
9	Iran	24m	21m	▼ -13
10	Thailand	20m	20m	- -

EXPORTS BY SPECIES

For the nine months to 2012, rock lobster and hoki were the top two export species. Compared with 2011, exports of mussels (down 12%) and squid (down 18%) have dropped significantly while tuna (up 25%), jack mackerel (up 29%) and barracouta (up 24%) have all grown.

	TOP 10 EXPORT VALUES (NZ\$)	Q3 2011	Q3 2012	% Change
	Rock lobster	165m	166m	▲ 1
	Hoki	141m	152m	▲ 8
	Mussels	163m	144m	▼ -12
	Squid	98m	80m	▼ -18
	Tuna	55m	69m	▲ 25
	Jack mackerel	38m	49m	▲ 29
	Salmon	39m	35m	▼ -10
	Ling	29m	28m	▼ -3
	Barracouta	21m	26m	▲ 24
	Snapper	25m	26m	▲ 4

Source: Export data, Statistics NZ.

EXPORTS OF MAIN COMMODITIES

Exports of fish, crustaceans and molluscs totalled \$1,049m for the first nine months of 2012, a small increase of two percent compared with the same period in 2011. In comparison, total exports of all commodity types fell by just under three percent.

The seafood industry also contributed NZ\$119m in processed products such as capsules, powders, fish cakes and fingers.

	NZ EXPORTS OF MAIN COMMODITIES (NZ\$)	Q3 2011	Q3 2012	% Change
	Milk powder, butter & cheese	8,356m	8,292m	▼ -1
	Meat & edible offal	4,493m	4,103m	▼ -9
	Logs, wood & wood articles	2,449m	2,316m	▼ -5
	Fruit	1,415m	1,434m	▲ 1
	Crude oil	1,674m	1,374m	▼ -18
	Mechanical machinery & equipment	1,356m	1,317m	▼ -3
	Fish, crustaceans & molluscs	1,031m	1,049m	▲ 2

Source: Overseas merchandise trade, September 2012, Statistics NZ.

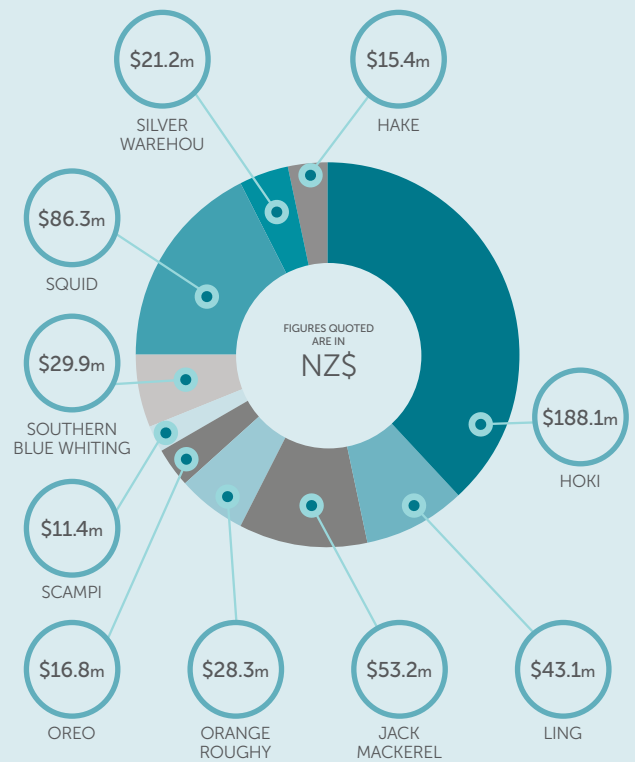
INTERNATIONAL CERTIFICATION

- In an era of increasing globalisation and concern about wild fish stocks, there is a belief that standards set by seafood certification programmes could have a positive influence on the way fisheries and aquaculture are managed around the world.
- Private certification programmes label seafood that meets pre-determined criteria. International guidelines for the ecolabelling and certification of fish and fishery products from wild fish stocks as well as for farmed fish have been agreed by UN's Food and Agriculture Organization (FAO)¹.
- The Marine Stewardship Council (MSC) is an independent, global, non-profit organisation which sets a standard for sustainable and well managed fisheries. They aim to provide retailers, restaurants and consumers an opportunity to choose and reward sustainable fishing through their seafood purchasing choices.
- MSC's mission is to use their ecolabel and fishery certification programme to contribute to the health of the world's oceans by:
 - recognising and rewarding sustainable fishing practices
 - influencing the choices people make when buying seafood, and
 - working with partners to transform the seafood market to a sustainable basis².
- In 2011, hoki, southern blue whiting and albacore tuna troll fisheries all gained certification under the Marine Stewardship Council (MSC) standards. Hoki was the first major whitefish fishery in the world to gain certification three times over the last decade.
- Globally, buyers in major markets have made strong commitments to purchase sometimes up to 100 per cent of their wild-capture fish products from MSC certified fisheries, and these commitments are increasing. These purchasing preferences increase the global demand and market access for certified sustainable seafood and provide the critical incentives needed for fisheries to undergo the rigorous and transparent assessments required in the MSC programme.
- In New Zealand it is recognised that MSC certification does encourage purchasing of products, particularly in Europe and North America but more recently into Asia and Australasia. While in its earlier stage MSC certified products did command a premium, this is becoming less true as more and more products become certified thereby reducing the premium aspect of the product.

SPOTLIGHT ON THE DEEPWATER FISHERY

- The deepwater fishery is represented by the Deepwater Group, an amalgamation of EEZ fisheries quota owners in New Zealand. The Deepwater Group works in partnership with the Ministry for Primary Industries and with other interest groups to ensure New Zealand gains the maximum economic yields from its deepwater fisheries resources managed within a long-term, sustainable framework.
- Fisheries represented by Deepwater Group Ltd are those targeted commercially and usually fished at depths between 200 and 1200 metres. These include hoki, hake, jack mackerel, ling, orange roughy, oreo dory, silver warehou, southern blue whiting and squid³. Total exports for these species over the last 12 months totalled just over \$500m; around a third of all seafood exports.

Exports for the year ending September 2012



- The Deepwater Group has worked hard over the last few years to mitigate the environment impacts of fishing on seabirds, sea lions, dolphins and fur seals. By working with government, environmental groups and by adopting world leading tools and practices, there have been significant reductions in reported injuries and deaths as a result of fishing methods.
- More information about the deepwater fisheries can be found at www.deepwater.co.nz

1. www.globalpartnershipfortheoceans.org
 2. www.msc.org/

3. Barracouta, cardinal fish, alfonso and toothfish are also sometimes caught by deepwater vessels.

CATCH INFORMATION

The table below shows the fish species with the largest Total Allowable Commercial Catch (TACCs) levels for the October and April fishing years*. The species shown below are not necessarily the most caught, but those species which are considered to be the main 'targets'. Hoki has the second highest total TACC (ie. when each species fish stock is added together) of the October year stocks. The hoki fishery has a seasonal peak between July and September. Squid is a highly seasonal fishery in the late summer and autumn. It has wide naturally occurring fluctuations in annual abundance.

Other than southern blue whiting, the stocks with an April fishing year are shellfish and crustacean stocks.

In the last full catch year, hoki, snapper and rock lobster were caught up to their full quota limit.

Comparing the current fishing year to date catch with the same period last year we can see that catch is down for most of the stocks with the exception of snapper which is up by three percent, jack mackerel and paua (both up one percent). Hoki catch is up 10 percent but this is due to the increase in TACC.

*October and April are the two months traditional fishing years begin from.

THIS QUARTER:

- A number of stocks had their TACs and TACCs adjusted on 1 October, namely: bluenose, mako shark and porbeagle shark had their allowable catch reduced while elephant fish, ghost shark, gurnard, john dory, porae and southern bluefin tuna all had their allowable catch limits increased.

The table below shows actual catch figures against Total Allowable Commercial Catch Levels (TACCs) for the latest full fishing year (up to either April or October 2011). The columns on the right show figures between the current fishing year and the previous fishing year to allow comparisons over time.

Most commonly NZ caught seafood species (in tonnes) managed under the Quota Management System for a full fishing year				Comparison between years		
				Same period 2011	Latest catch figures 2012	% change
October stocks (1 Oct 2011-30 Sept 2012)	Catch	TACCs [^]	% of catch against TACC	1 Oct 2010-30 Sept 2011	1 Oct 2011-30 Sept 2012	
Hoki	130,106	130,010	100%	118,719	130,106	10%
Jack mackerel	40,261	60,547	66%	40,030	40,261	1%
Squid	35,207	127,332	28%	37,304	35,207	-6%
Barracouta	26,433	32,672	81%	26,914	26,433	-2%
Oreo	13,088	18,860	69%	14,422	13,088	-9%
Snapper	6,535	6,357	103%	6,355	6,535	3%
Orange roughy	5,835	6,941	84%	6,423	5,835	-9%
Blue cod	2,214	2,331	95%	2,332	2,214	-5%
Paua	944	1,058	89%	939	944	1%
April stocks (1 Apr 2011-31 Mar 2012)				1 Apr 2011-30 Sept 2011	1 Apr 2012-30 Sept 2012	
Southern blue whiting	38,364	43,408	88%	34,416	29,131	-15%
Rock lobster (spiny, packhorse)	2,781	2,833	98%	1,561	1,492	-4%

Source: The Blue Book, FishServe.

More information on the QMS can be found on our website: www.seafoodnewzealand.org.nz/qms

[^] TACCs = Total Allowable Commercial Catches.

THE SEAFOOD INDUSTRY – AN OVERVIEW

The cornerstone of New Zealand's fisheries management is the quota management system (QMS) which was introduced in 1986. Under the QMS an annual catch entitlement is set for each fish stock. By controlling the amount of fish that can be taken from each stock, the QMS sets the foundation for ensuring the sustainability of New Zealand fisheries.

4.4 million km²

AREA - Exclusive Economic Zone (EEZ) and territorial sea

15,134km

Length - New Zealand coastline

631,787 tonnes

Total allowable commercial catch (as at December 2011)

408,704 tonnes

Total landed catch (as at December 2011)

600,000 tonnes

Total seafood harvest (including aquaculture)

636

Number of stocks in the QMS

NZ\$1.53 billion

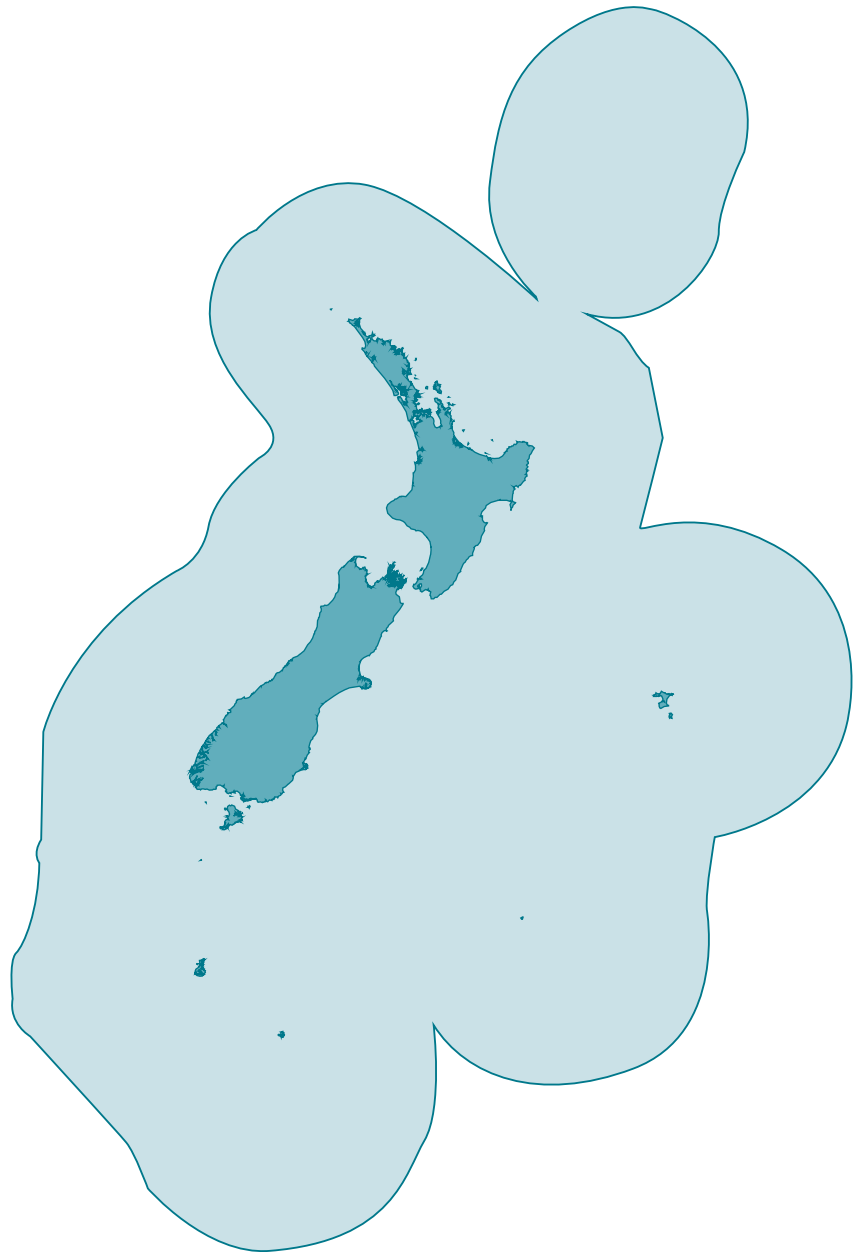
Exports

25,000 FTEs

Estimated direct and indirect employment

1,412

Number of registered fishing vessels



NEW ZEALAND'S EXCLUSIVE ECONOMIC ZONE

More than 90 percent of New Zealand's exclusive economic zone (EEZ) has never been bottom trawled and 30 percent of the EEZ is completely closed to bottom trawling – one of the largest bottom trawl closures within an EEZ in the world.

Ensuring that impacts on the marine environment caused by fishing activity are kept within acceptable levels is a priority for the New Zealand seafood industry and the Ministry for Primary Industries (MPI). Regulations and industry agreements are in place to reduce the impact of fishing on protected species such as the New Zealand sea lion, fur seals and seabirds. Restrictions are also in place to protect Hector's and Maui's dolphins, the world's smallest dolphins.

Source: MPI, Seafood New Zealand.

Nature's gift, harvested with care.