Economic review
of the seafood industry

Seafood New Zealand

Edition 6 December 2013

Welcome to the latest edition of Seafood New Zealand's economic review. This edition provides data for the first nine months of 2013. The review is intended to provide readers with an 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 continues to show positive signs of recovery, but the New Zealand dollar remains high in the short term.
- Exports to China reached a record NZ$326m for the first nine months of 2013.
- Precision Seafood Harvesting, launched at the seafood industry conference, heralds a new era for commercial fishing.
- Global wild fish stocks have been assessed as strong at the Groundfish Forum.

THE ECONOMY

In general, the global outlook remains mixed with both positive and negative indicators still evident. In New Zealand, the economy continues to strengthen. GDP grew 1.5 percent in the December quarter of 2012 and, despite last summer's drought, expanded a further 0.3 percent in the March quarter of this year. Since then, many economic indicators have improved further; business and consumer confidence have risen, and building consents continue to increase. Export commodity prices have remained high and the New Zealand dollar is assumed to remain elevated for some time. A continued strengthening in the economy suggests inflation will rise from here.

The outlook for the seafood industry's major export partners is positive. China, our largest export market, is forecast to expand – albeit at a slower pace than in recent history. Nonetheless, Chinese growth will continue to be a major driver of growth for the rest of Asia and Australia.

A gradual increase in the trading partner growth over the projection will support demand for New Zealand's exports. As shown in the table below, most countries are expected to record positive figures for 2013 and 2014 with the exception of the euro zone which is still struggling to deal with the fallout from the global economic crisis.

Economic forecasts

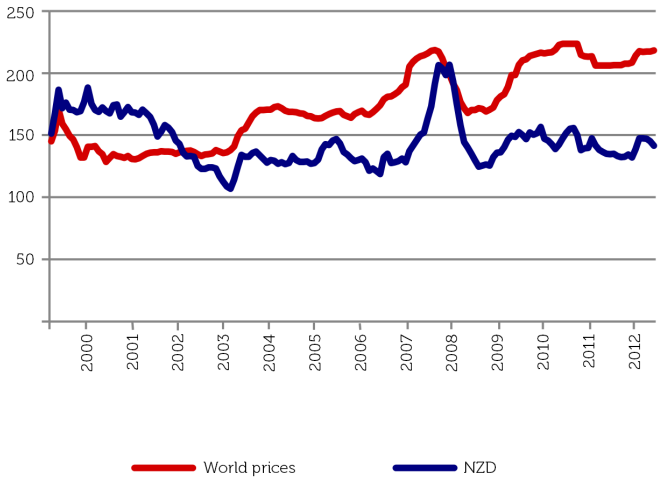
Real GDP %	2010	2011	2012	2013f	2014f
NZ	1.9	1.4	2.7	2.8	3.8
Australia	2.6	2.4	3.7	2.5	2.3
China	10.4	9.3	7.7	7.4	7.1
US	2.4	1.8	2.8	1.5	1.7
Japan	4.7	-0.6	1.9	1.9	2.4
India	9.7	7.5	5.1	4.3	5.2
Euro zone	1.9	1.6	-0.6	-0.5	-0.1
UK	1.8	0.9	0.2	1.1	0.9

Sources: Westpac's Economic Overview, November 2013; Reserve Bank Monetary Policy Statement, September 2013; ANZ's Commodity Price Index, October 2013.

The New Zealand dollar is expected to stay relatively high until the middle of next year. At that point it is predicted that New Zealand commodity export prices will ease in response to increasing global supply, domestic growth will slow as interest rates rise, and central banks around the world edge ever closer to removing unprecedented stimulus measures, and as a result of all this, the New Zealand dollar will fall. This will ease some of the pressure seafood exporters have been feeling over the last couple of years with the high US dollar impacting on the bottom line.

ANZ bank generates a quarterly commodity price index which provides a concise outlook for key global commodity[1] markets. The index provides historical indexed prices for seafood as shown in the graph below. The price of seafood has remained relatively stable over the last few years and the difference between the two lines reflects the impact the high NZD is having on commodity prices – making them more expensive on the world market.

Commodity price index for seafood 2000-2013



[1] A commodity is a marketable item produced to satisfy wants or needs. It is a good, including seafood that is bought and sold.

EXPORT STATISTICS

EXPORT NZ$FOB*

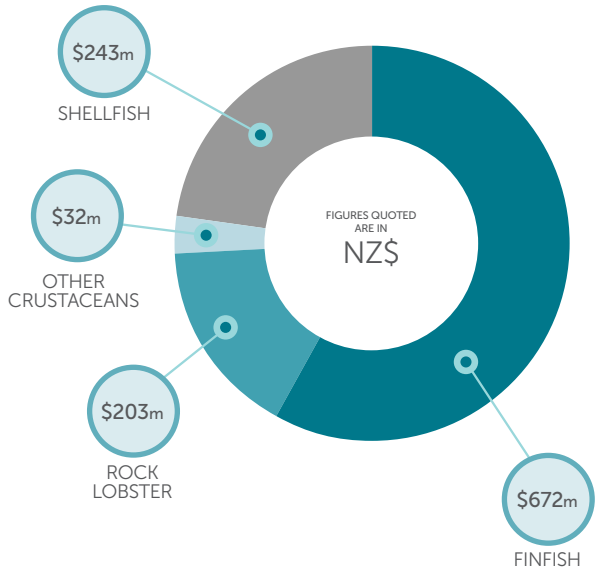
All figures in this section are based on export data provided by Statistics New Zealand and analysed by Seafood New Zealand for the first nine months of 2013 (Q3).

EXPORT TONNES

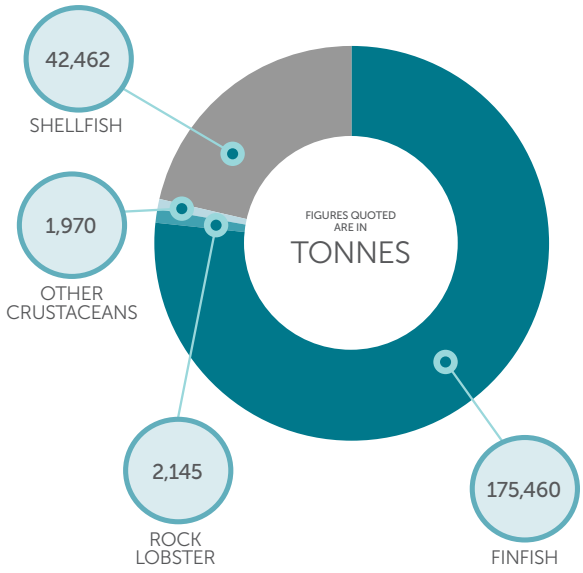
Total seafood exports for the first nine months of 2013 totalled NZ$1,150m with over 222,000 tonnes exported.

Finfish species accounted for nearly eighty percent of export volume and shellfish just under a fifth. Rock lobster and other crustacean make up a tiny proportion of export volume. However, rock lobster contributes an increasing amount of export earnings, now up to 18 percent of the total value.

Export value (Q3 2013) = NZ$1,150m



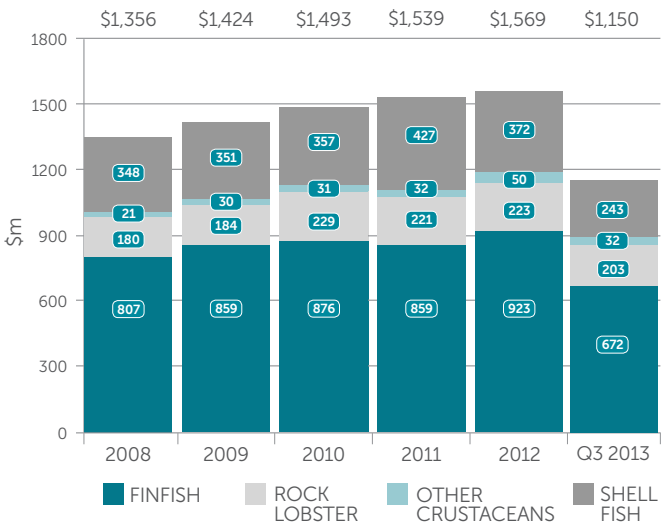
Export volume (Q3 2013) = 222,037 tonnes



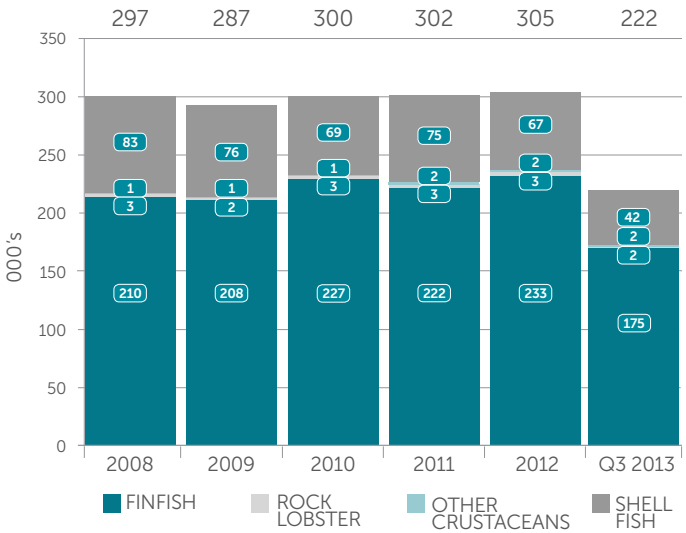
Compared with the first nine months of 2012, export volume decreased by just under 7,000 tonnes or three percent. Export value was also down slightly from NZ$1,166m to NZ$1,150m. So while we are exporting less, we are still receiving a higher price per tonne (1.7 percent more) than a year ago.

Rock lobster sales continue to grow positively with volume up 13 percent but value up an even more impressive 22 percent.

EXPORT NZ$ FOB*



EXPORT TONNES



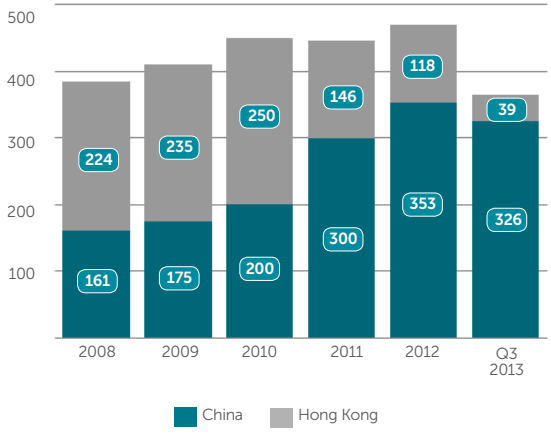
Source: Export data, Statistics New Zealand, Seafood New Zealand.
* FOB = Free on board. The value of export goods, including raw material, processing, packaging, storage and transportation up to the point prior to loading on board ship.

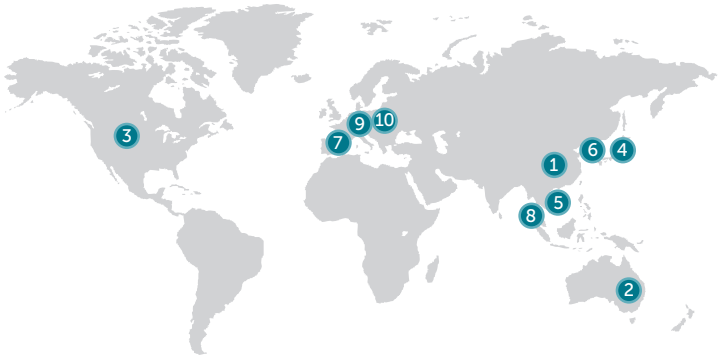
EXPORTS BY COUNTRY

Exports to China continue to surge ahead, up an impressive 32 percent on the same time in 2012. As mentioned in previous reviews, the increase is in part due to exports previously sent to Hong Kong now going directly to China, as demonstrated in the graph below. However, the graph also shows that total exports to China and Hong Kong combined have grown by 22 percent from 2008 to 2012.

The 'real' drop in exports to Hong Kong has largely been driven by a fall in demand for Paua.

Make up of exports to China and Hong Kong NZD$m





TOP 10 EXPORT VALUES (NZ$)		Q3 2012	Q3 2013	% Change
1	China	247m	326m	▲ 32
2	Australia	202m	202m	-
3	United States	114m	120m	▲ 5
4	Japan	116m	94m	▼ -19
5	Hong Kong	100m	39m	▼ -61
6	South Korea	49m	32m	▼ -35
7	Spain	26m	26m	-
8	Thailand	20m	25m	▲ 25
9	France	23m	24m	▲ 4
10	Germany	16m	23m	▲ 44

EXPORTS BY SPECIES

As mentioned earlier, rock lobster exports have shown significant growth over the last year with export earnings growing by 22 percent. The export value of the next five top species; hoki, mussels, tuna and squid all dropped largely due to decreases in volume – although prices for headed and gutted hoki sent to China also dropped from around $2.70 a kilo to $2. There was growth in the returns for salmon, ling and orange roughy.

TOP 10 EXPORT VALUES (NZ$)	Q3 2012	Q3 2013	% Change
Rock lobster	166m	203m	▲ 22
Hoki	152m	141m	▼ -7
Mussels	144m	124m	▼ -14
Tuna	69m	65m	▼ -6
Squid	80m	58m	▼ -28
Jack mackerel	49m	49m	-
Salmon	35m	48m	▲ 37
Ling	28m	34m	▲ 21
Orange roughy	20m	25m	▲ 25
Snapper	26m	24m	▼ -8

Source: Export data, Statistics NZ.

EXPORTS OF MAIN COMMODITIES

Exports of primary processed fish, crustaceans and molluscs totalled $1,019m in the first nine months of 2013, a slight decrease of three percent compared with the same period in 2012.

The seafood industry also contributed a further NZ$131m in elaborately processed products such as capsules, powders, fish cakes and fingers.

NZ EXPORTS OF MAIN COMMODITIES (NZ$)	Q3 2012	Q3 2013	% Change
Milk powder, butter & cheese	8,283m	8,337m	▲ 1
Meat & edible offal	4,094m	4,175m	▲ 2
Logs, wood & wood articles	2,312m	2,823m	▲ 22
Fruit	1,689m	1,528m	▼ -10
Crude oil	1,411m	1,144m	▼ -19
Fish, crustaceans & molluscs	1,048m	1,019m	▼ -3
Mechanical machinery & equipment	1,046m	935m	▼ -11
Total exports	34,671m	34,662m	-

Source: Overseas merchandise trade, September 2013, Statistics NZ.

INTERNATIONAL STATISTICS

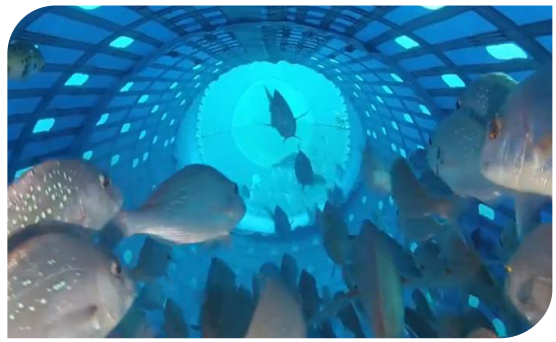
- The 22nd Groundfish Forum was held in Vienna, Austria on 15 October. The Forum brought together over 200 executives to discuss the outlook for the world's most important supply of finfish for the next year, and to discuss the factors – political, scientific and psychological – that will impact production and purchasing decisions for the next year.
- Overall, the Forum found that although there are a few exceptions, the health of the world's wild whitefish is strong. Good management and an industry interest in stable production have greatly improved the stability of the industry over the last 10 years or so.
- The table below shows the current and projected supply of wild groundfish for a number of key international species in '000 metric tonnes.

	2010	2011	2012*	2013*	2014*
Alaska pollock	2,536	3,147	3,210	3,316	3,256
Atlantic cod	952	1,064	1,107	1,349	1,359
Saithe	409	344	352	341	337
South American hakes	433	430	377	397	394
Pacific hakes	227	271	207	275	275
Haddock	397	430	428	298	278
Hoki	271	264	257	243	262
Pacific Cod	369	437	470	462	462
Cape hakes	259	274	279	300	288
Southern blue whiting	81	62	69	68	65
Redfish	165	167	140	151	151
Total wild groundfish	6,099	6,889	6,885	7,200	7,127

* Groundfish panel estimates

Source: www.intrafish.com/groundfish

SPOTLIGHT ON PRECISION SEAFOOD HARVESTING



- At the Seafood Industry Conference on 1 October, Eric Barrett, Sanford Chief Executive launched Precision Seafood Harvesting (PSH).
- PSH is a revolutionary fishing technology which does away with traditional trawl nets and, instead, sees fish contained and swimming comfortably underwater inside a large flexible PVC liner where they can be sorted for the correct size and species before being brought on-board the fishing vessel.
- Precision Seafood Harvesting is the commercialisation phase of nearly ten years of New Zealand research. Fishing companies Aotearoa Fisheries, Sanford and Sealord are investing $26 million into the project under a Primary Growth Partnership with the New Zealand Government, which is matching the industry investment.
- Scientists at Plant & Food Research are partnering with the fishing companies to develop and trial the technology on commercial fishing vessels.
- The technology is a big step forward for the fishing industry in terms of reducing by-catch and improving the quality of seafood brought to market, and thereby improving the value of the industry.
- Still images, full interviews and all on-board and underwater footage of Precision Seafood Harvesting are available at: www.precisionseafoodharvesting.co.nz

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.

As shown in the opposite column, a range of stocks had their TACCs increased for the 2013/14 fishing year starting on 1 October as a result of sustainability reviews. Hoki had the most noticeable increase of 20,000 tonnes.

THIS YEAR:

The following stocks had their TACCs changed from 1 October 2013:

- Hoki (HOK1) increased from 130,000 to 150,000 tonnes
- Kingfish (KIN7) increased from 7 to 15 tonnes
- Leatherjacket (LEA3) increased from 100 to 130 tonnes
- Ling (LIN5 & 7) increased from 6,069 to 7,035 tonnes
- Orange roughy (ORH3B) increased from 3,600 to 4,500 tonnes
- Dredge oysters (OYS4) increased from 15 to 44 tonnes
- Scampi (SCI2) increased from 100 to 133 tonnes
- Sea perch (SPE1) increased from 33 to 53 tonnes

For more information go to www.fishserve.co.nz/news

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

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 2013). 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				Catch 2012/13 fishing year		
				Same period 2011/12	Latest catch figures 2012/13	% change
October stocks (1 Oct 2012-30 Sept 2013)	Catch	TACCs*	% of catch against TACC	1 Oct 2011-30 Sept 2012	1 Oct 2012-30 Sept 2013	
Hoki	131,568	130,010	101%	130,106	131,568	1%
Jack mackerel	43,659	60,547	72%	40,261	43,659	8%
Squid	24,636	127,332	19%	35,207	24,636	-30%
Barracouta	24,972	32,672	76%	26,433	24,972	-6%
Oreo	10,978	18,860	58%	13,088	10,978	-16%
Snapper	6,301	6,357	99%	6,535	6,301	-4%
Orange roughy	5,324	6,941	77%	5,835	5,324	-9%
Blue cod	2,194	2,332	94%	2,214	2,194	-1%
Paua	910	1,058	86%	944	910	-4%
April stocks (1 Apr 2012-31 Mar 2013)				1 Apr 2012-30 Sept 2012	1 Apr 2013-30 Sept 2013	
Southern blue whiting	29,906	47,394	63%	29,131	32,909	13%
Rock lobster (spiny, packhorse)	2,807	2,896	97%	1,492	1,617	8%

Source: The Blue Book, FishServe.

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

* 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

15,134 km

Length – New Zealand coastline

631,791 tonnes

Total allowable commercial catch (as at December 2012)

446,945 tonnes

Total landed catch (as at December 2012)

600,000 tonnes

Total seafood harvest (including aquaculture)

636

Number of stocks in the QMS

NZ$1.57 billion

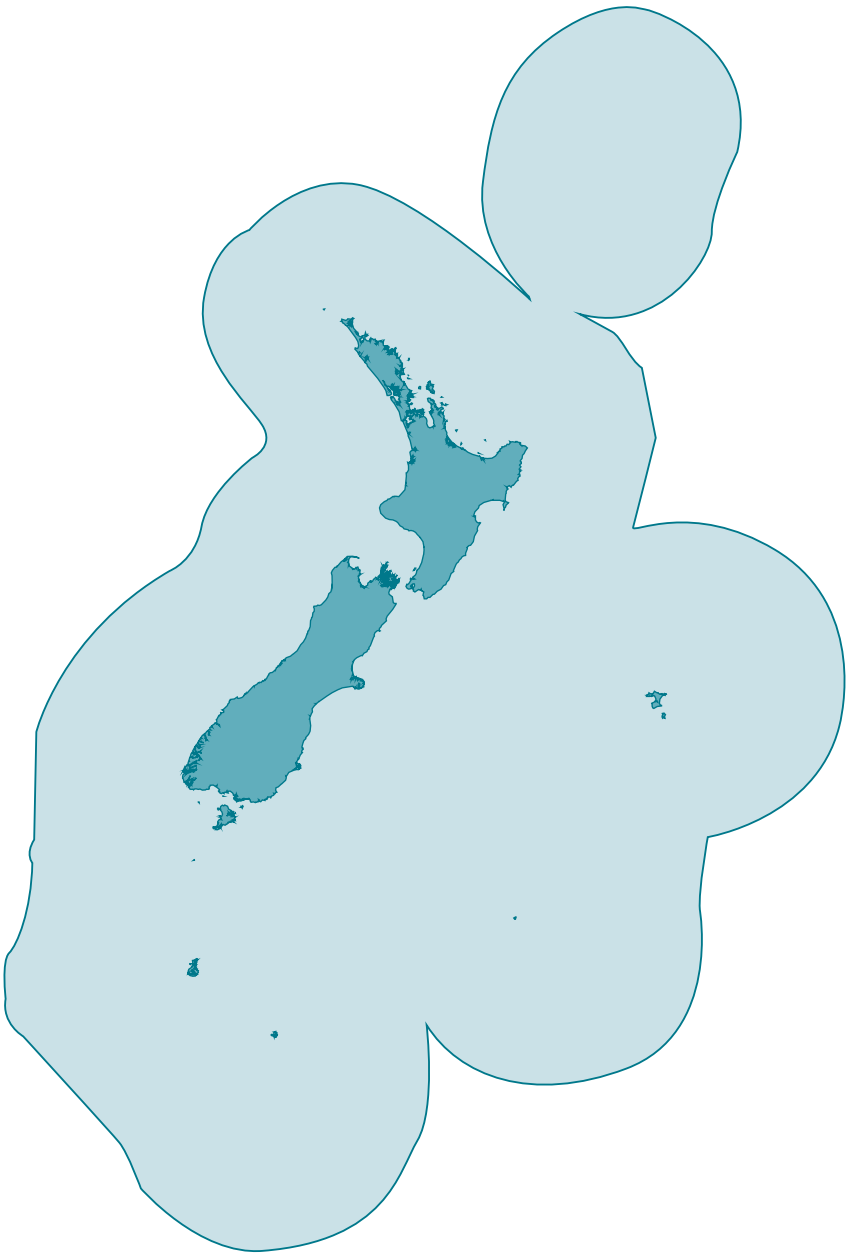
Exports in 2012

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.