

Economic review

of the seafood industry

Welcome to the latest edition of Seafood New Zealand's economic review. This edition provides data for all 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

THE ECONOMY

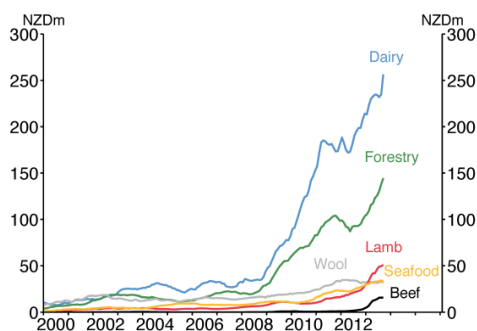
The New Zealand economy continues to strengthen and the momentum in the economy is strong. Export commodity prices remain very high but the high exchange rate continues to decrease returns.

Economic growth in New Zealand's trading partners has been moderate over 2013. Economic conditions in the euro area and Japan have continued to improve in recent months. GDP growth has moderated in East Asia and Australia, which comprise the majority of our export basket, to below the average rates of the past decade.

Annual GDP growth in China has been relatively steady over 2013, with growth of 7.8 percent in the year to the September 2013 quarter.

Global demand for New Zealand's export commodities is currently robust, particularly from China (see graph below). However, dairy, forestry and meat have been bigger drivers of commodity price rises than seafood.

VALUE OF SELECTED NEW ZEALAND EXPORTS TO CHINA



Source: Statistics New Zealand, RBNZ estimates.

It is expected that continued growth in China and strengthening growth in New Zealand's other trading partner economies will increase demand for New Zealand's exports. This is expected to show up particularly in commodity export prices.

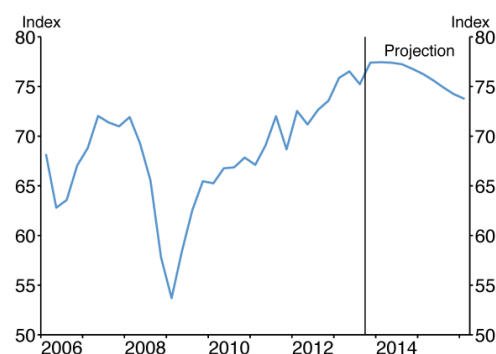
IN THIS EDITION

- Seafood export volume and value fell slightly for the year to December 2013 compared with 2012, but on a per tonne basis, actual value of exports has risen.
- Exports to the European Union are up seven percent on a year ago, driven by increases to Spain, France and Germany.
- The World Bank and the FAO predict total fish supply will increase from 154 million tonnes in 2011 to 186 million tonnes in 2030, largely driven by increases in aquaculture production.

The elevated level of the exchange rate reflects low global interest rates, high prices for some of New Zealand's agricultural commodities and New Zealand's relatively favourable growth outlook. The high exchange rate continues to reduce exporters' incomes and decreases the competitiveness of exports while also making us less competitive against imported goods.

As shown in the graph below, while the trade weighted index is expected to fall slightly, it is still likely to remain at a high level.

NEW ZEALAND DOLLAR TRADE WEIGHTED INDEX



Source: RBNZ estimates.

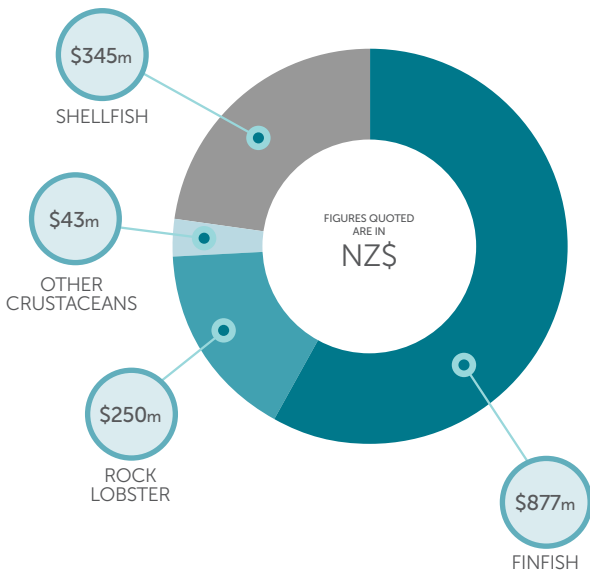
New Zealand seafood commodity prices increased by one percent in December 2013 and reached a new record high. The commodity index for all products is at its fourth highest level on record but remains 5.1 percent below its all-time high achieved in March 2011.

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 whole of 2013.

Export value (2013) = NZ\$1,515m

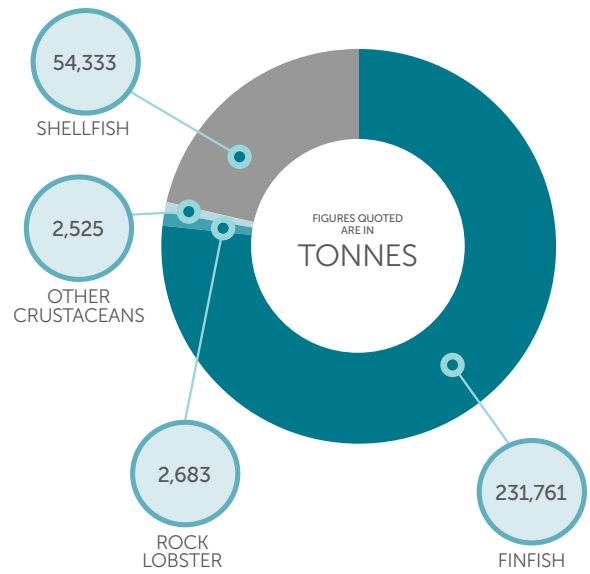


EXPORT TONNES

Total seafood exports for 2013 totalled NZ\$1,515m with over 291,000 tonnes exported.

Finfish species accounted for eighty percent of export volume and shellfish just under a fifth. Rock lobster and other crustacean make up a tiny proportion of export volume but contribute a significant amount of value.

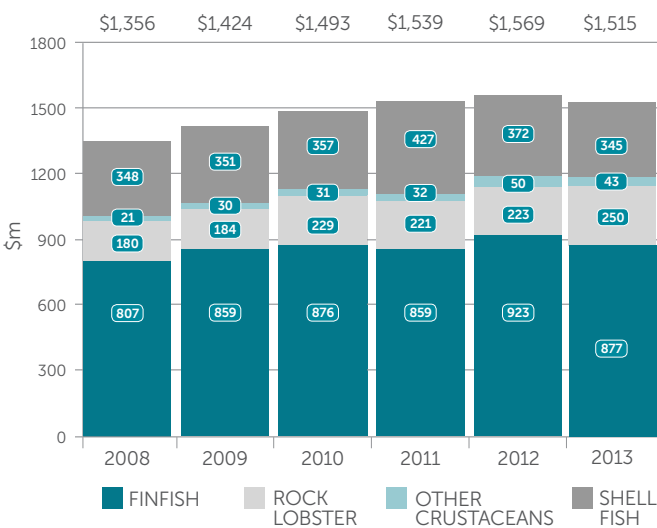
Export volume (2013) = 291,302 tonnes



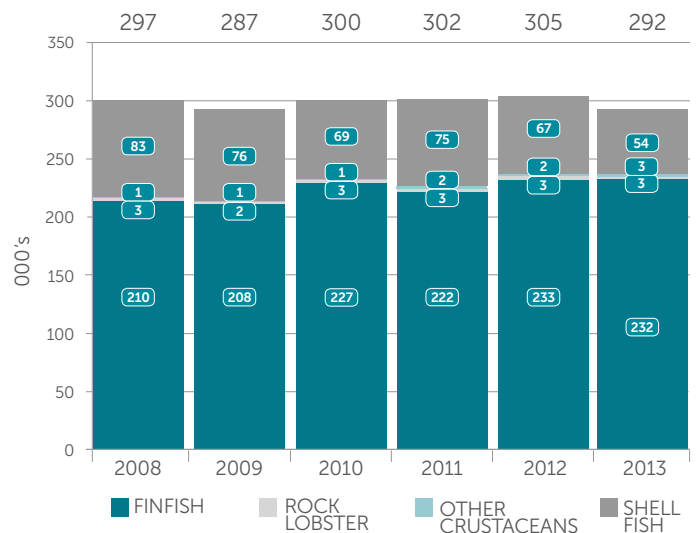
Compared with 2012, export volume decreased by just under 13,000 tonnes or three percent. Export value was also down slightly from NZ\$1,569m to NZ\$1,515m. However, this means that we are still receiving a higher price per tonne (2 percent more) than a year ago.

Rock lobster was the only major category to grow in value compared with 2012 and is up nearly 40 percent compared with 2008.

EXPORT NZ\$ FOB*



EXPORT TONNES



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

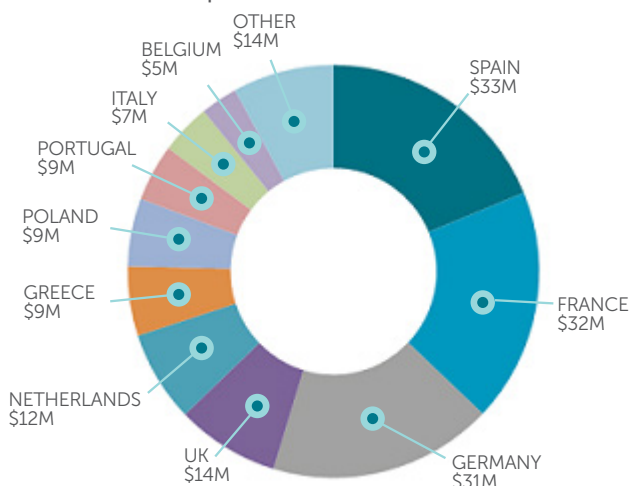
* FOB = Free on board. The value of export goods, including raw material, processing, packaging, storage and transportation up to the point prior to loading on board ship.

EXPORTS BY COUNTRY

China, Australia and the United States maintain the top three positions as our key seafood export partners. Exports to China and the US were both up strongly over the last year.

We are seeing a good recovery in exports to some European Union countries following the global recession, with exports increasing to European countries such as Germany (up 41%) and to a lesser extent Spain (up 3%) and France (up 3%). Total exports to all European Union countries were NZ\$175 million in 2013 – up seven percent from 2012. As shown in the graph below, exports to Spain, France and Germany made up 55 percent of seafood exports to the EU in 2013.

Seafood exports to the EU - 2013



TOP 10 EXPORT VALUES (NZ\$)	2012	2013	% Change
1 China	353m	416m	▲ 18
2 Australia	283m	276m	▼ -2
3 United States	150m	163m	▲ 9
4 Japan	143m	118m	▼ -17
5 Hong Kong	118m	58m	▼ -51
6 South Korea	62m	42m	▼ -32
7 Spain	32m	33m	▲ 3
8 France	31m	32m	▲ 3
9 Germany	22m	31m	▲ 41
10 Thailand	24m	29m	▲ 21

EXPORTS BY SPECIES

Rock lobster exports have shown significant growth over the last year with export earnings growing by 12 percent. Salmon (up 22%) and orange roughy (up 17%) also grew strongly on the back of strong sales in the US.

Paua made it back into the top 10 despite a drop of 22 percent compared with 2012. Snapper fell out of the top 10 with returns down eight percent.

TOP 10 EXPORT VALUES (NZ\$)	2012	2013	% Change
Rock lobster	223m	250m	▲ 12
Hoki	195m	187m	▼ -4
Mussels	191m	181m	▼ -5
Tuna	71m	65m	▼ -8
Squid	86m	63m	▼ -27
Salmon	51m	62m	▲ 22
Jack mackerel	64m	57m	▼ -11
Ling	45m	53m	▲ 18
Paua	46m	36m	▼ -22
Orange roughy	29m	34m	▲ 17

EXPORTS OF MAIN COMMODITIES

Exports of primary processed fish, crustaceans and molluscs totalled \$1,328m in 2013, a decrease of four percent compared with the same period in 2012.

The seafood industry also contributed a further NZ\$187m in processed products such as capsules, powders, fish cakes and fingers. Processed seafood returns fell by 1.6 percent in comparison, suggesting stronger relative demand for processed fish products than the primary versions.

NZ EXPORTS OF MAIN COMMODITIES (NZ\$)	2012	2013	% Change
Milk powder, butter & cheese	11,424m	13,409m	▲ 17
Meat & edible offal	5,166m	5,282m	▲ 2
Logs, wood & wood articles	3,162m	3,860m	▲ 22
Mechanical machinery & equipment	1,716m	1,530m	▼ -11
Fruit	1,563m	1,507m	▼ -4
Crude oil	1,837m	1,436m	▼ -22
Fish, crustaceans & molluscs	1,379m	1,328m	▼ -4
Total exports	46,064m	48,086m	▲ 4

INTERNATIONAL STATISTICS

- The World Bank and FAO recently released a report on its predictions for fish supply and demand to the year 2030. The International Model for Policy Analysis of Agricultural Commodities and Trade (IMPACT) simulated outcomes across regions and made projections of global fish supply and demand.
- The model projects that the total fish supply will increase from 154 million tonnes in 2011 to 186 million tonnes in 2030.
- Aquaculture's share in global supply will likely continue to expand to the point where capture fisheries and aquaculture will be contributing equal amounts in 2030. However, aquaculture is projected to supply over 60 percent of fish destined for direct human consumption by 2030.
- The global production from capture fisheries will likely be stable - around 93 million tonnes during the 2010-30 period.
- China is likely to increasingly influence the global fish markets. The model predicts that in 2030 China will account for 37 percent of total fish production (17% capture and 57% aquaculture) while accounting for 38 percent of global consumption.

SUMMARY RESULTS OF FISH SUPPLY AND CONSUMPTION

(000 tonnes)	TOTAL FISH SUPPLY		FOOD FISH CONSUMPTION	
	Data 2008	Projection 2030	Data 2006	Projection 2030
Capture	89,443	93,229	64,533	58,159
Aquaculture	52,843	93,612	47,164	93,612
Global total	142,285	186,842	111,697	151,771

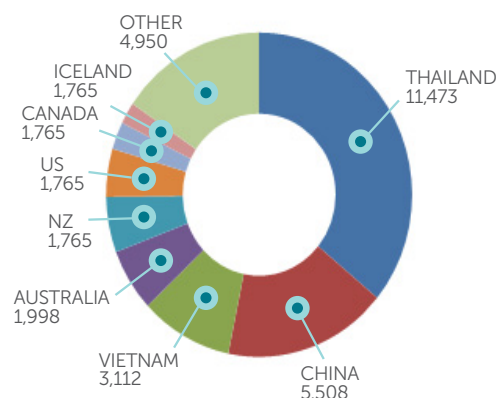
SPOTLIGHT ON SEAFOOD IMPORTS



- New Zealand imported NZ\$187m worth of seafood in 2013 compared with the NZ\$1.5b of seafood exported from the country.
- It is estimated that around 50 percent of all seafood sold in New Zealand is from imported sources.

- As shown in the graph below, over a third of imports comes from Thailand. Around half of imports from Thailand come to New Zealand in the form of tinned tuna.
- China was also a significant source of imports, mainly of frozen crustaceans (shrimps and prawns) and molluscs (squid) as was Viet Nam which also supplied significant amounts of frozen shrimps and prawns but also nearly 800 tonnes of fresh and frozen catfish (aka basa).

Imports of seafood in tonnes



- The graph also shows that New Zealand imported nearly two thousand tonnes of seafood into the country. This was partly a result of toothfish caught by NZ flagged vessels outside our Exclusive Economic Zone (EEZ) and bought into New Zealand. There was also a significant amount of hoki and other finfish that was sent overseas for processing and re-imported into the country.

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*.

Compared with the 2012 calendar year, catch levels under the Quota Management System (QMS) fell by two percent in 2013 from 419,904 tonnes to 412,346 tonnes. There are often significant variations in the numbers of species caught from year to year due to a variety of reasons but when comparing 2013 with 2012 the drop was partly a result of a 30 percent decrease in squid catch, and drops in some of our most popular finfish such as barracouta, ling, blue mackerel and red cod.

The numbers of mussels harvested continued to be down compared with 2011 as the flow on effects from the 2012 country wide drought are still being felt across the industry.

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

THIS YEAR:

- There have been no changes in TACC levels for any species managed under the QMS since 1 October 2013. However, the Ministry for Primary Industries is in the process of reviewing TACCs for the following stocks:
 - Southern Blue Whiting (SBW6I)
 - Sea Cucumber
 - Rock Lobster
 - Scallop
- They are also seeking feedback on proposals to introduce hagfish, carpet shark and seal shark into the QMS.

For more information on these issues go to:
www.fish.govt.nz/en-nz/consultations

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 targeted 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 2011-31 Dec 2012	1 Oct 2012-31 Dec 2013	
Hoki	131,568	130,010	101%	13,404	12,727	-5%
Jack mackerel	43,659	60,547	72%	15,636	16,998	9%
Squid	24,636	127,332	19%	5,886	5,191	-12%
Barracouta	24,972	32,672	76%	6,350	4,771	-25%
Oreo	10,978	18,860	58%	4,567	4,926	8%
Snapper	6,301	6,357	99%	1,881	1,886	-
Orange roughy	5,324	6,941	77%	1,189	1,457	23%
Blue cod	2,194	2,332	94%	265	324	22%
Paua	910	1,058	86%	518	437	-16%
April stocks (1 Apr 2012-31 Mar 2013)				1 Apr 2012-31 Dec 2012	1 Apr 2013-31 Dec 2013	
Southern blue whiting	29,906	47,394	63%	29,852	32,966	10%
Rock lobster (spiny, packhorse)	2,807	2,896	97%	2,149	2,166	1%

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

656,618 tonnes

Total allowable commercial catch (as at December 2013)

412,346 tonnes

Total landed catch (as at December 2013)

600,000 tonnes

Total seafood harvest (including aquaculture)

636

Number of stocks in the QMS

NZ\$1.52 billion

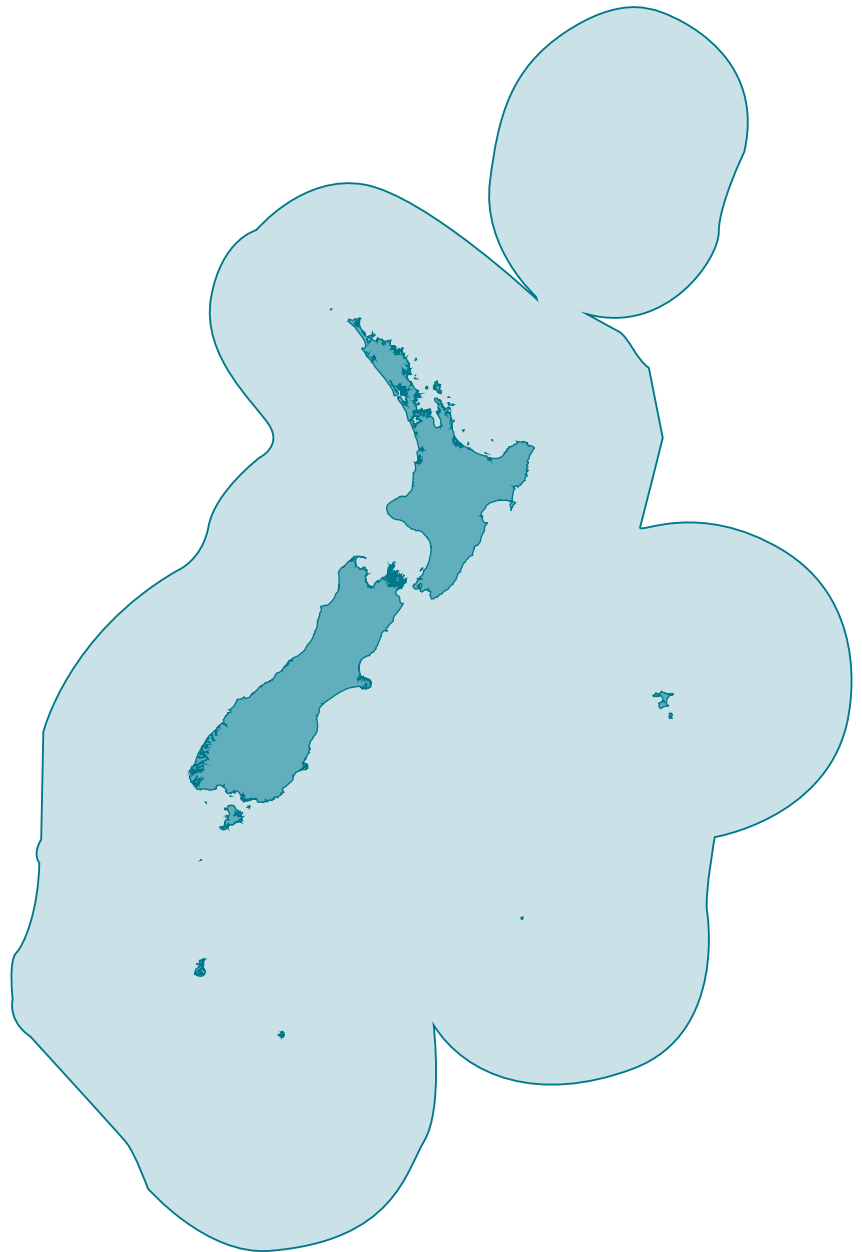
Exports in 2013

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.