Global Conference on Aquaculture 2010

Farming the waters for People and Food

22-25 September 2010, Phuket, Thailand

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Global Conference on Aquaculture 2010

Expert Panel Presentation 4.1:

Facilitating Market Access for Producers: addressing market access requirements, evolving consumer needs, and trends in product development and distribution

By Audun Lem and Jonathan Banks

22–25 September 2010, Phuket, Thailand

Facilitating market access for producers

- Addressing market access requirements
  - Regulatory
  - Non-regulatory, voluntary, market-driven
- Trends in product development and distribution
- Evolving consumer needs
  - trends, values, consumer behaviour
  - impact for fisheries products

Context: A globalized market

- Almost 40% of total seafood production (capture + aquaculture) enters international trade (of which 50% from developing world)
- 3 big markets: > 70% of imports
- Adherence to regulatory import requirements for those markets crucial for exporters
  - related to quality and safety, but also to IUU
- Voluntary requirements: business to business
  - product specs, certification etc.

Market access requirements

- **developed countries imports:** 77 % of total value (2008)
- adhering to **market access requirements** a prerequisite for entering international markets.
  - changing nature of these market access requirements
  - emergence of **private and voluntary standards**
  - requests for **certification** and **labels** for various purposes
  - pressure on producers, processors and exporters
  - But without offering higher prices to offset additional costs
- Over time, rise in consumption and imports in **emerging economies** as purchasing power increases with middle-class consumers adopting more international food habits and purchasing practices.

Voluntary certification schemes

- For both wild and farmed products
  - gaining market share in many developed country markets.
  - emerging economy consumers ?
- However, consumer confusion also increasing given the often diverging claims represented by many of the schemes.

Aquaculture impacts

- 2009: **aquaculture contribution to supply** of seafood for human consumption at 45 percent
- aquaculture impacts overall:
  - prices
  - product development
  - distribution
  - consumption patterns
- Aquaculture: a competitive source of protein

Consumption differences

- large **regional differences in fish consumption** but also within regions; Africa and South America only 50 % of global average
- **urbanization and** growth of **modern distribution channels** increase potential availability of fish to consumers
- **economic and cultural factors** continue to influence strongly level of fish consumption

Globalization of the fisheries value chain

- long term rise in aggregate trade values and volumes for all commodities
- production and processing outsourced to Asia, Central and Eastern Europe, North Africa, South and Central America.
- dominant and rising share of aquaculture production in developing countries.
- outsourcing of processing at regional and global levels; depends on product form, labour costs and transportation time. In general, labour cost differences main factor
- global distribution channels through large retailers.
- urbanization also in developing world: similar trends

3 large markets – very different USA as an example

- MARKET ACCESS REQUIREMENTS:
  - Seafood Safety
  - Seafood Economic Integrity ? Weights, labels etc
  - antibiotics, additives
- EVOLVING CONSUMER NEEDS
  - Price- Value
  - The mindset of the US consumer- confidence
  - Quality combined with convenience is now a “must
  - Growing interest in organic foods
- Product Development: adding cost or value ?
- Distribution: fragmented supply, concentration of demand

Price of farmed fish

- **FAO Fish Price Index** shows separate price developments for capture fisheries and for aquaculture;
- wild fish prices increased significantly 2002-2008
- aquaculture prices, despite some firming during the same period, are lower today than 10 years ago.
- related to the cost of in-put factors
  - capture fisheries frequently energy and capital intensive,
- Aquaculture benefited from:
  - technological improvements
  - increased yields in production
  - improved logistics and distribution systems
  - growing volumes lead to economies of scale.

International trade

- strong growth until 2008, new growth in 2010
- consumer spending:
  - long-term trend for fish trade remains positive
  - significant opportunities for aquaculture producers
  - market challenge: ability to find innovative ways to supply products aiming at satisfying evolving consumer needs
  - environmental and social challenges
  - new technology to provide more targeted portion sizes, taste varieties
  - innovative packaging and communication strategies
  - more branding ?

Future impact of aquaculture

- aquaculture's share of total supply for human consumption will rise to 60 – 70%
  - a profound impact on
    - **pricing**
    - **product development**
    - **distribution**
    - **consumption**
- challenges sector's ability to respond to evolving consumer needs
- And to environmental and social constraints
- potential for growth and economic success is evident; so are challenges presented to the world's aquaculture producers

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Expert Panel Presentation IV.1:

FACILITATING MARKET ACCESS FOR PRODUCERS: ADDRESSING MARKET ACCESS REQUIREMENTS, EVOLVING CONSUMER NEEDS, TRENDS IN PRODUCT DEVELOPMENT AND DISTRIBUTION

Audun Lem and Jonathan Banks

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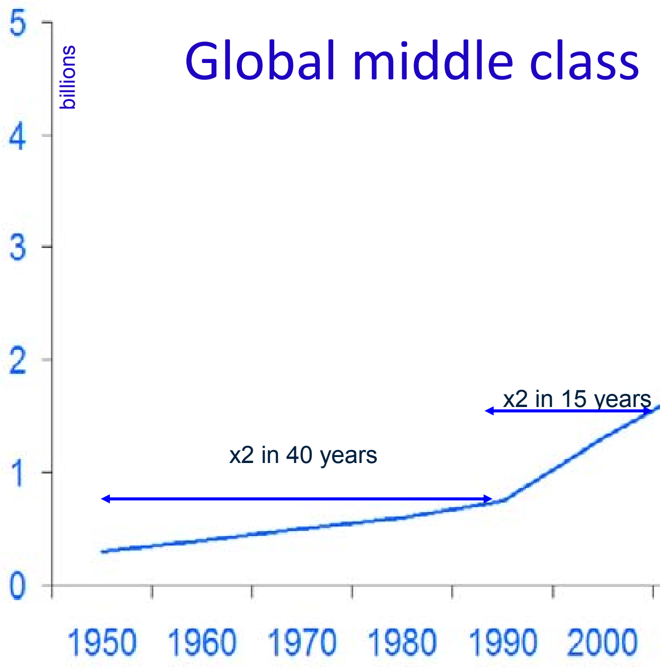
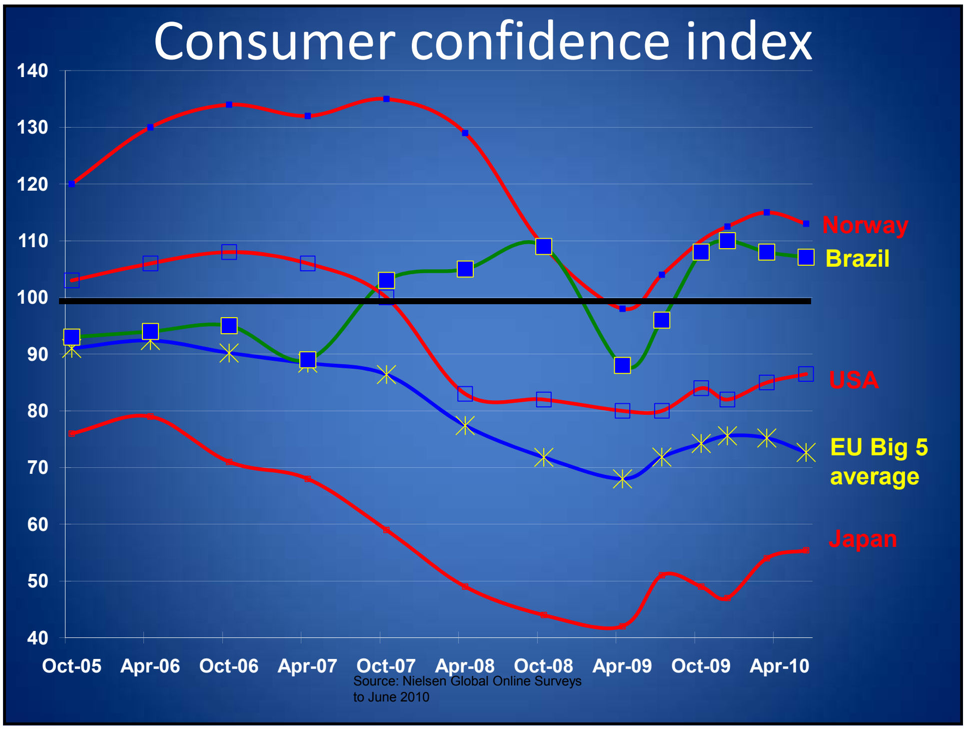
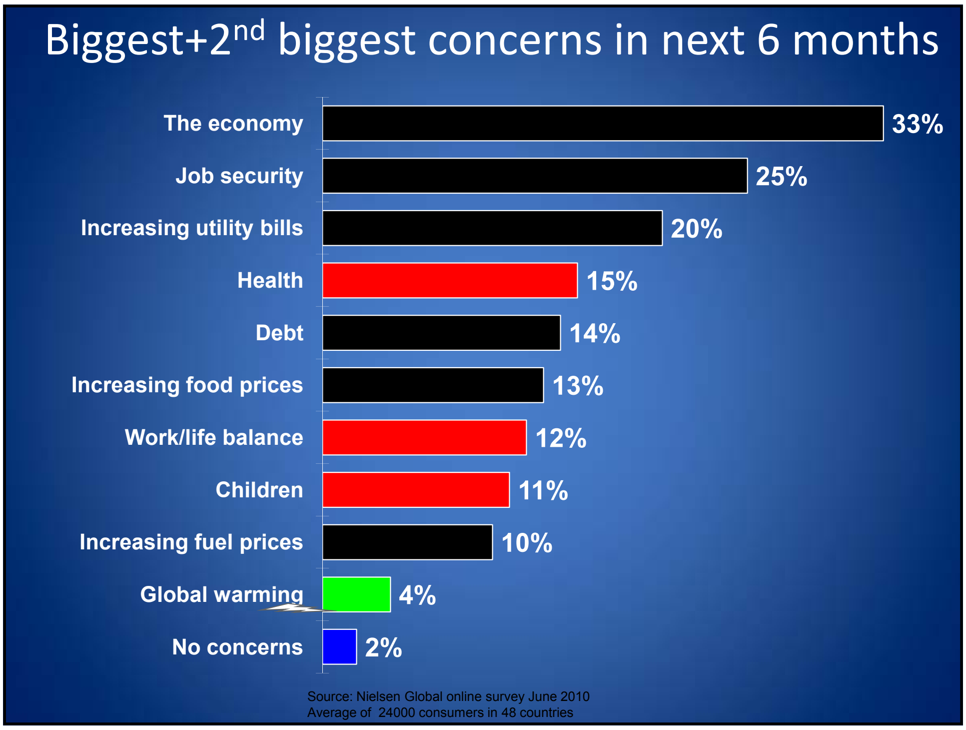
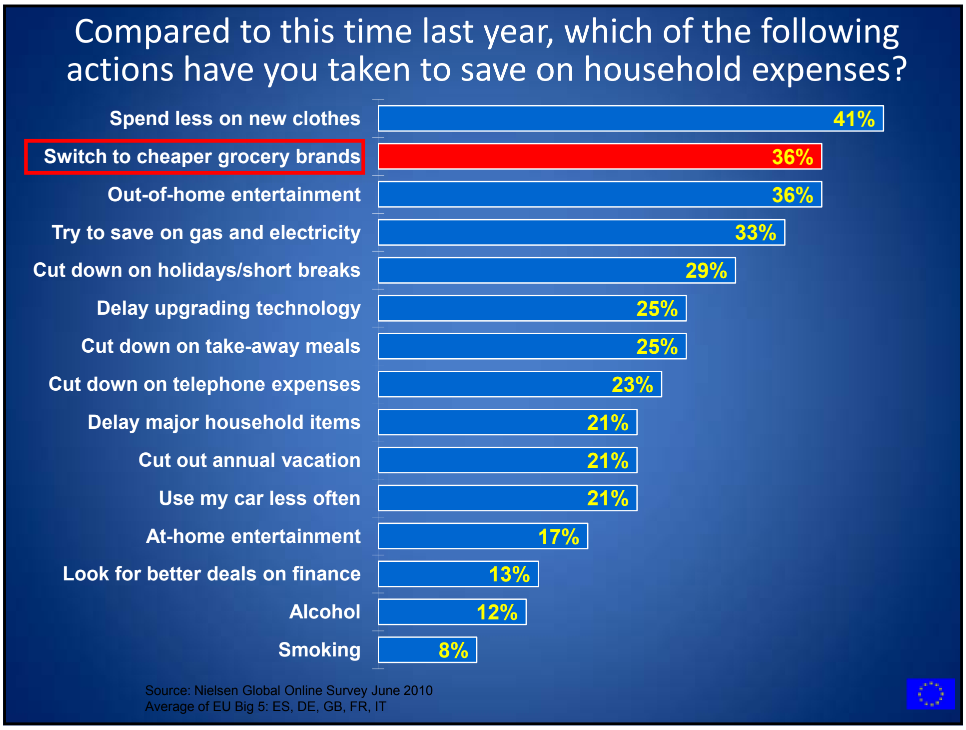
Global middle class

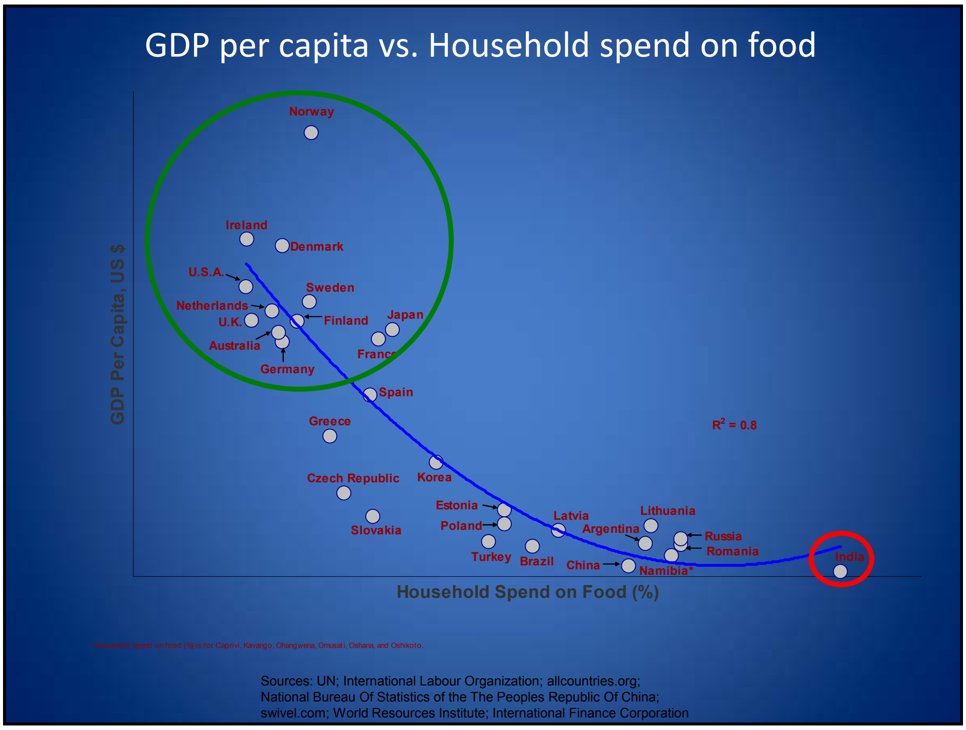


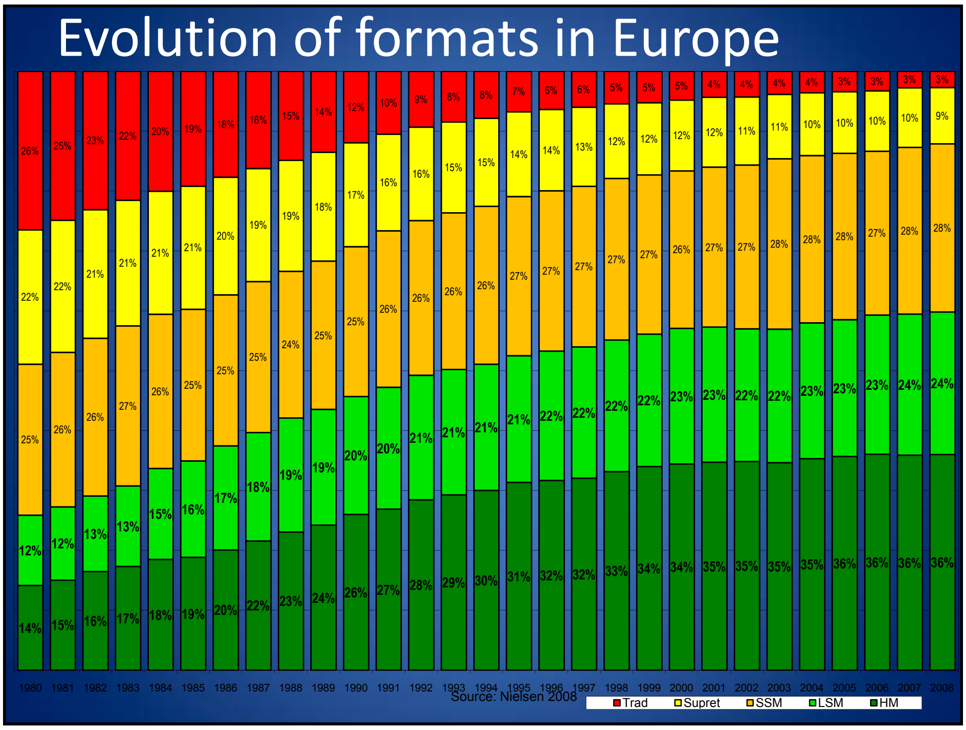
Source: OECD


Consumer confidence index
140
130
120
110
100
90
80
70
60
50
40
Oct-05
Apr-06
Oct-06
Apr-07
Oct-07
Apr-08
Oct-08
Apr-09
Oct-09
Apr-10
Norway
Brazil
USA
EU Big 5 average
Japan
Source: Nielsen Global Online Surveys to June 2010

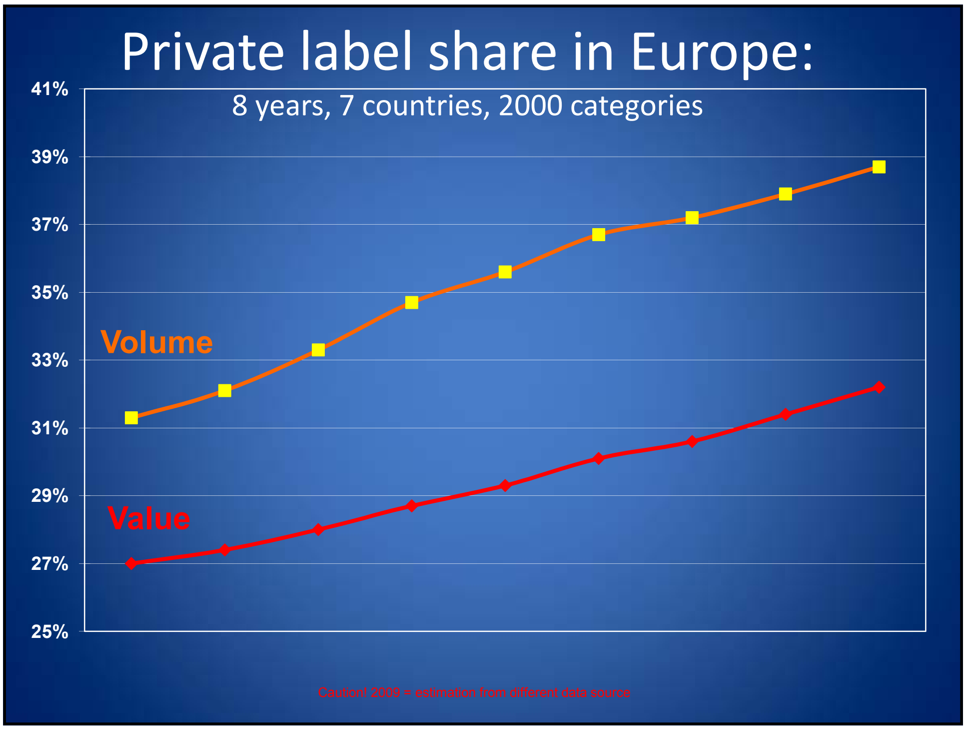

Biggest+2nd biggest concerns in next 6 months
The economy 33%
Job security 25%
Increasing utility bills 20%
Health 15%
Debt 14%
Increasing food prices 13%
Work/life balance 12%
Children 11%
Increasing fuel prices 10%
Global warming 4%
No concerns 2%
Source: Nielsen Global online survey June 2010
Average of 24000 consumers in 48 countries


Compared to this time last year, which of the following actions have you taken to save on household expenses?
Spend less on new clothes 41%
Switch to cheaper grocery brands 36%
Out-of-home entertainment 36%
Try to save on gas and electricity 33%
Cut down on holidays/short breaks 29%
Delay upgrading technology 25%
Cut down on take-away meals 25%
Cut down on telephone expenses 23%
Delay major household items 21%
Cut out annual vacation 21%
Use my car less often 21%
At-home entertainment 17%
Look for better deals on finance 13%
Alcohol 12%
Smoking 8%
Source: Nielsen Global Online Survey June 2010
Average of EU Big 5: ES, DE, GB, FR, IT

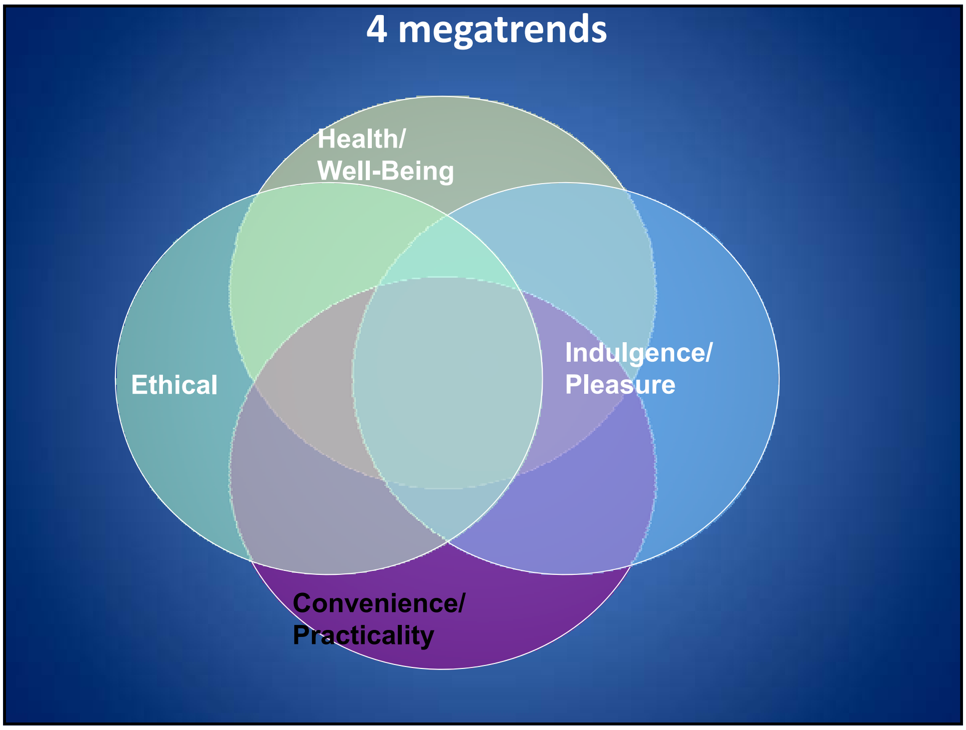

GDP per capita vs. Household spend on food
GDP Per Capita, US $
Household Spend on Food (%)
$R^2 = 0.8$
Norway
Ireland
Denmark
U.S.A.
Sweden
Netherlands
U.K.
Finland
Japan
Australia
France
Germany
Spain
Greece
Korea
Czech Republic
Estonia
Latvia
Lithuania
Slovakia
Poland
Argentina
Russia
Romania
Turkey
Brazil
China
Namibia*
India
Sources: UN; International Labour Organization; allcountries.org;
National Bureau Of Statistics of the The Peoples Republic Of China;
swivel.com; World Resources Institute; International Finance Corporation

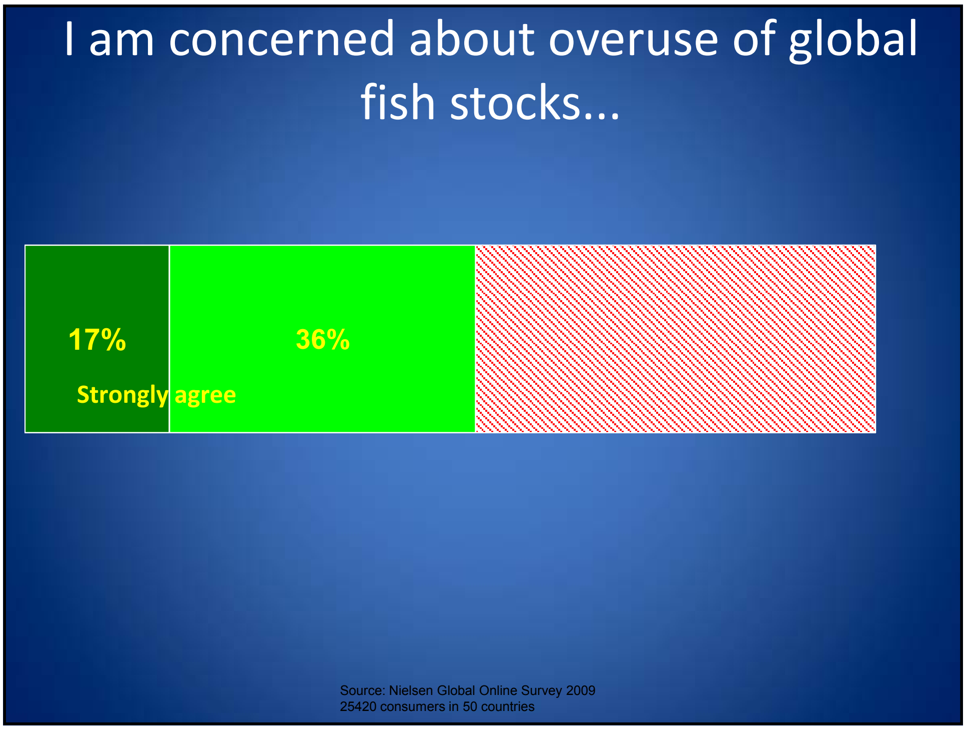


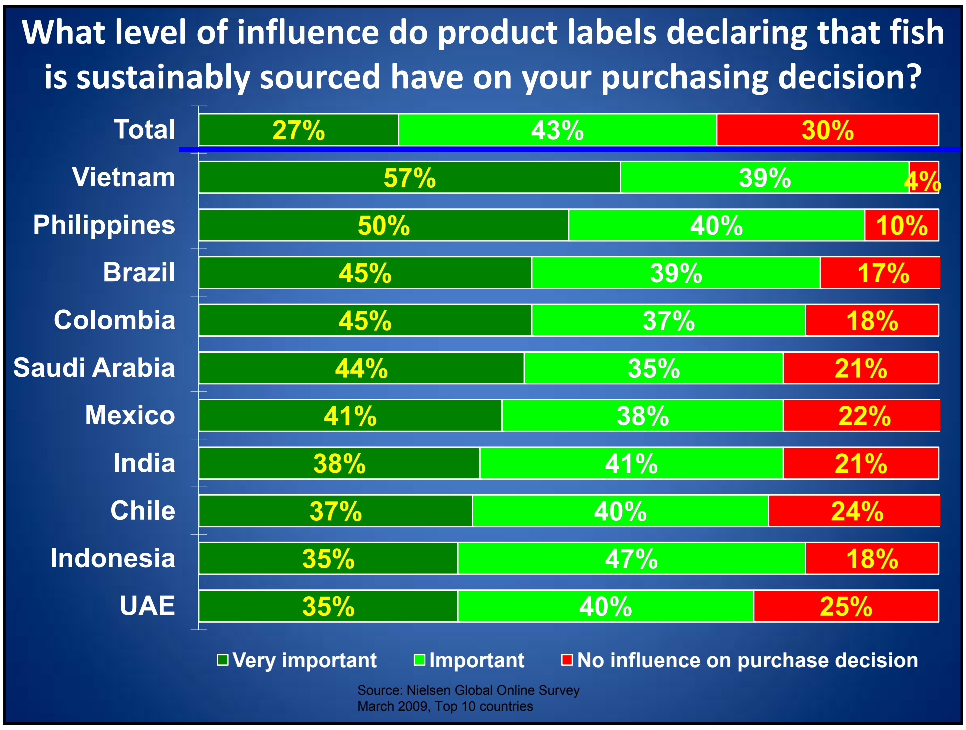
Evolution of formats in Europe
1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008
Source: Nielsen 2008
Trad
Supret
SSM
LSM
HM

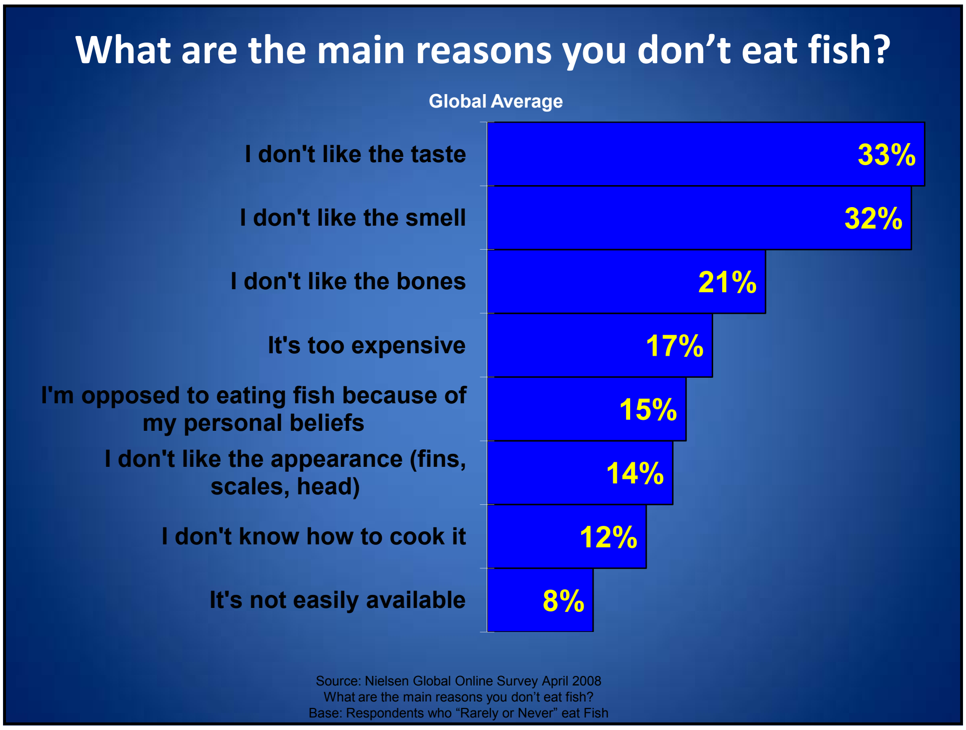


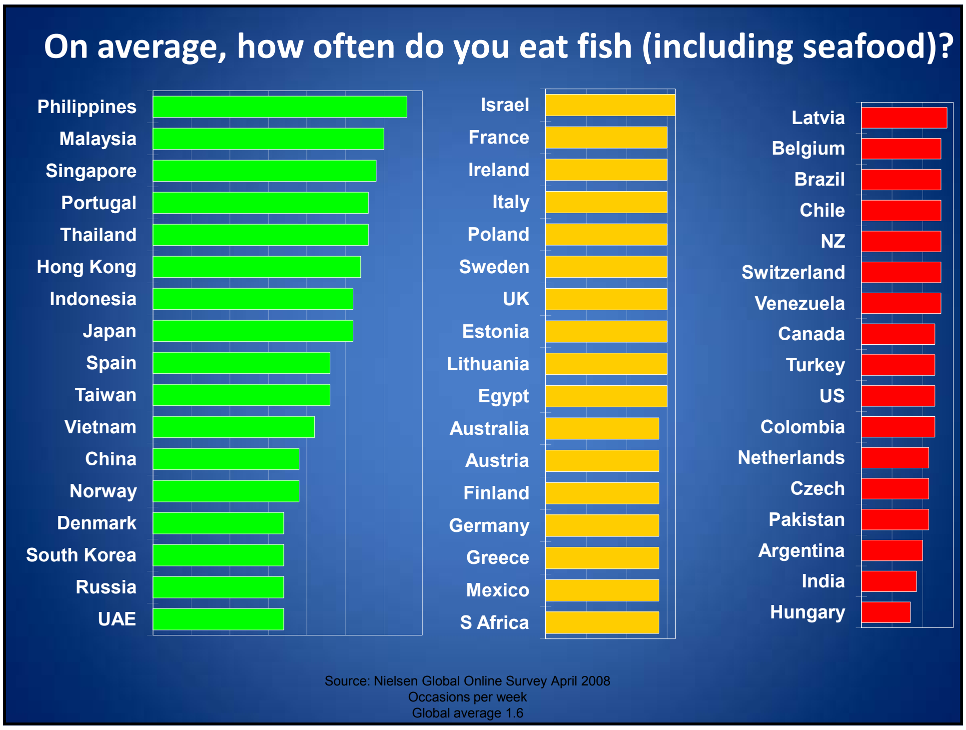
Private label share in Europe:
8 years, 7 countries, 2000 categories
41%
39%
37%
35%
33%
31%
29%
27%
25%
Volume
Value
Caution! 2009 = estimation from different data source


4 megatrends
Health/
Well-Being
Ethical
Indulgence/
Pleasure
Convenience/
Practicality


I am concerned about overuse of global fish stocks…
17%
36%
Strongly agree
Source: Nielsen Global Online Survey 2009
25420 consumers in 50 countries


What level of influence do product labels declaring that fish is sustainably sourced have on your purchasing decision?
Total 27% 43% 30%
Vietnam 57% 39% 4%
Philippines 50% 40% 10%
Brazil 45% 39% 17%
Colombia 45% 37% 18%
Saudi Arabia 44% 35% 21%
Mexico 41% 38% 22%
India 38% 41% 21%
Chile 37% 40% 24%
Indonesia 35% 47% 18%
UAE 35% 40% 25%
Very important
Important
No influence on purchase decision
Source: Nielsen Global Online Survey
March 2009, Top 10 countries


What are the main reasons you don't eat fish?
Global Average
I don't like the taste 33%
I don't like the smell 32%
I don't like the bones 21%
It's too expensive 17%
I'm opposed to eating fish because of my personal beliefs 15%
I don't like the appearance (fins, scales, head) 14%
I don't know how to cook it 12%
It's not easily available 8%
Source: Nielsen Global Online Survey April 2008
What are the main reasons you don't eat fish?
Base: Respondents who "Rarely or Never" eat Fish


On average, how often do you eat fish (including seafood)?
Philippines
Malaysia
Singapore
Portugal
Thailand
Hong Kong
Indonesia
Japan
Spain
Taiwan
Vietnam
China
Norway
Denmark
South Korea
Russia
UAE
Israel
France
Ireland
Italy
Poland
Sweden
UK
Estonia
Lithuania
Egypt
Australia
Austria
Finland
Germany
Greece
Mexico
S Africa
Latvia
Belgium
Brazil
Chile
NZ
Switzerland
Venezuela
Canada
Turkey
US
Colombia
Netherlands
Czech
Pakistan
Argentina
India
Hungary
Source: Nielsen Global Online Survey April 2008
Occasions per week
Global average 1.6

Closing thoughts

- Population growth
  - middle class
- Consumer Confidence low
  - economic worries dominate
- Food prices low:
  - Hypermarkets, consolidation, private label, promotions, discounters
- Brand equity
  - Health, convenience, indulgence, ethical
- Fish
  - Sustainability
  - Opportunities: penetration and frequency
  - Overcome objections

Thanks to The Nielsen Company for use of their data

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