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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
Global Conference on Aquaculture 2010

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
22–25 September 2010, Phuket, Thailand

Global middle class

Source: OECD
Consumer confidence index

Norway
Brazil
USA
EU Big 5 average
Japan

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 24,000 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%
- Cut down on telephone expenses: 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

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:

Private label share in Europe:
8 years, 7 countries, 2000 categories

Caution! 2009 = estimation from different data source.

Source: Nielsen 2008
4 megatrends

- Health/Well-Being
- Ethical
- Indulgence/Pleasure
- Convenience/Practicality
**I am concerned about overuse of global fish stocks...**

- 17% Strongly agree
- 36%

**What level of influence do product labels declaring that fish is sustainably sourced have on your purchasing decision?**

<table>
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<th>Country</th>
<th>Very important</th>
<th>Important</th>
<th>No influence on purchase decision</th>
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<tr>
<td><strong>Total</strong></td>
<td>27%</td>
<td>43%</td>
<td>30%</td>
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<td>Vietnam</td>
<td>57%</td>
<td>39%</td>
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<tr>
<td>UAE</td>
<td>35%</td>
<td>40%</td>
<td>25%</td>
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Source: Nielsen Global Online Survey 2009, 25420 consumers in 50 countries

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)?

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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