

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 welcome your feedback and suggestions, please email: info@seafood.org.nz

THE ECONOMY

The New Zealand economy continues to improve with many positive news stories at the moment, including:

- More people in jobs
- Positive consumer and business confidence
- An increase in retail sales
- More businesses engaged in productivity enhancing capital investment
- Other productivity gains (such as a drop in electricity consumption)
- Growth from the Canterbury rebuild
- High export returns
- Rise in commercial building permits

Unfortunately for exporters, the New Zealand dollar remains high and is expected to be so for at least the remainder of this year and probably next year also.

Reflecting strong prices and demand for New Zealand's commodity exports (including seafood), the terms of trade are at a 40-year high. This strength in the terms of trade will continue to boost New Zealand incomes, spending power and growth over the medium term.

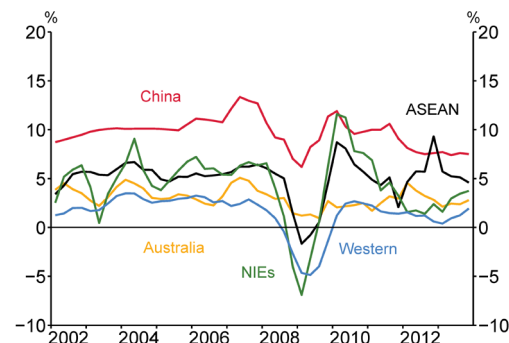
However, there are still risks that could cause the terms of trade to deteriorate more markedly than projected; namely weaker demand could eventuate if financial disruption occurred in China following its rapid increase in debt over recent years. Also, the withdrawal of financial stimulus in the US could lead to greater volatility.

New Zealand's major trading partners' GDP grew at a moderate pace over 2013. Growth in major advanced economies has improved, and is an important influence of activity in emerging markets.

IN THIS EDITION

- The economy both here and overseas continues to show positive signs of recovery, good news for the seafood industry.
- Export value was up slightly (by 0.17%) but on a dollar per tonne basis, exports were worth nine percent more than in the first quarter of 2013.
- China continues to grow as our leading export partner, but they are also becoming a significant producer of seafood, particularly of farmed fish.
- Orange roughy is the featured species this edition in light of its recent application for sustainability certification.

GDP GROWTH IN SELECTED TRADING PARTNER ECONOMIES



Source: Haver Analytics

Note: ASEAN includes Thailand, Malaysia, Indonesia, and the Philippines. NIEs include South Korea, Taiwan, Hong Kong, and Singapore. Western economies include the United Kingdom, the United States, Canada and the euro area.

US – Growth in the US reached 2.5 percent in the year to December 2013. Consumption has increased steadily and labour market conditions are gradually improving.

Japan – Japan's economy is currently growing at an annual rate of 2.7 percent, significantly higher than the average of the past decade. Domestic demand has expanded rapidly.

Australia – resource investment declined resulting in below average growth of 2.8 percent in 2013. Lower interest rates appear to be stimulating aspects of the economy but unemployment remains at its highest level in over a decade.

China – GDP grew 7.7 percent in 2013. Exports to large advanced economies have increased reflecting the general recovery around the world.

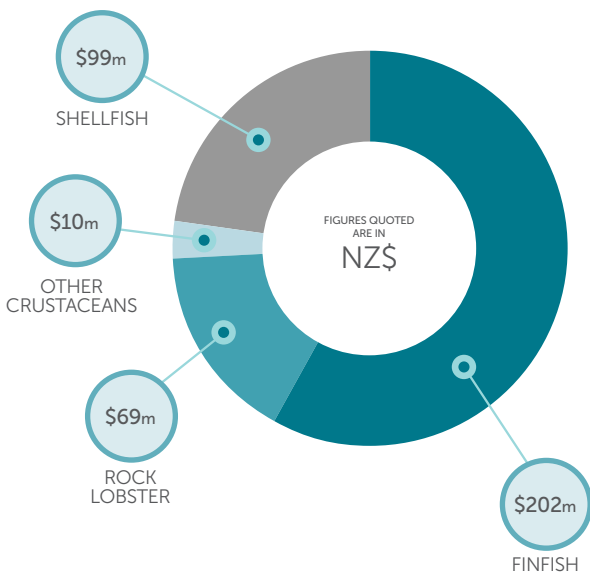
Overall trading partner growth has seen demand for New Zealand's goods exports remain robust – good news for the seafood industry.

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 quarter of 2014 (Q1).

Export value (Q1 2014) = NZ\$380m

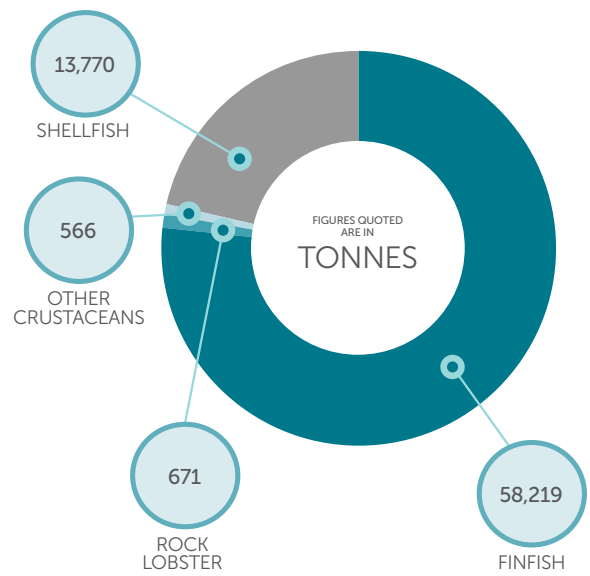


EXPORT TONNES

Total seafood exports for the first quarter of 2014 totalled NZ\$380m with over 73,000 tonnes exported.

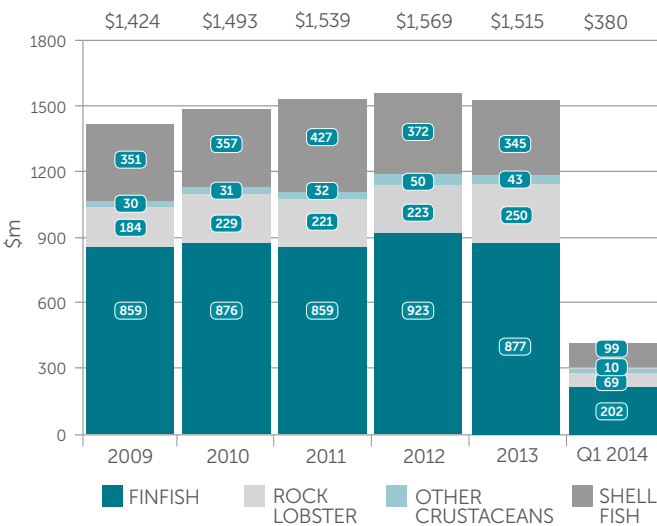
Finfish species accounted for eighty percent of export volume and shellfish just under twenty percent. Rock lobster and other crustacean make up a tiny proportion of export volume but contribute a significant amount of value.

Export volume (Q1 2014) = 73,226 tonnes

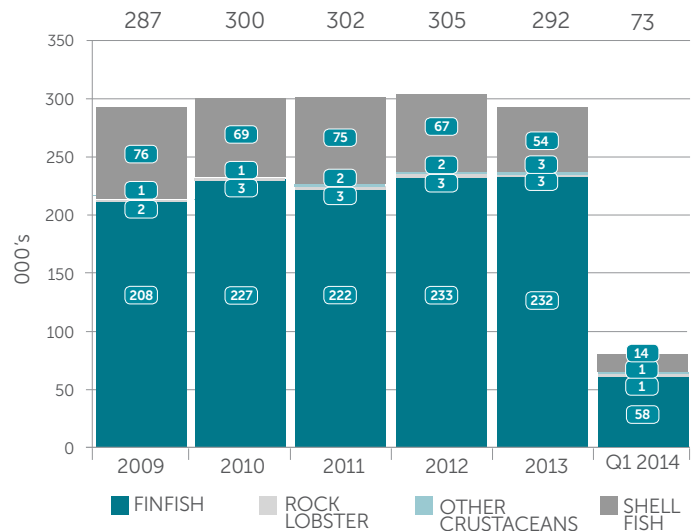


Compared with the first quarter of 2013, in 2014 we exported less seafood (down eight percent or just over 6,000 tonnes) but have earned slightly more in New Zealand dollar terms (up 0.17%). On a dollar per tonne basis, exports were nine percent higher than a year ago.

EXPORT NZ\$ FOB*



EXPORT TONNES



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

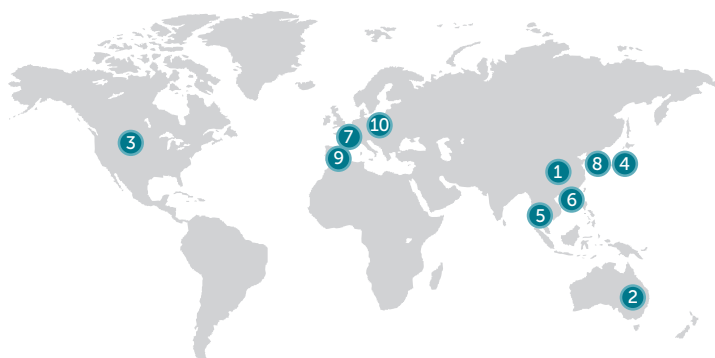
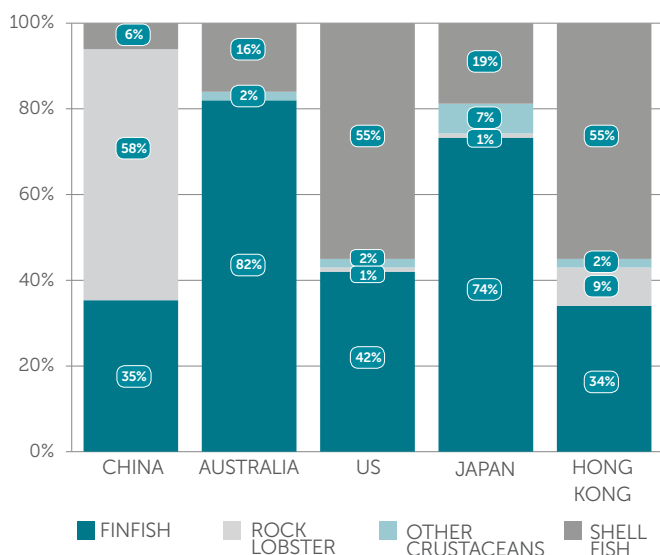
* FOB = Free on board. The value of export goods, including raw material, processing, packaging, storage and transportation up to the point prior to loading on board ship.

EXPORTS BY COUNTRY

China, Australia and the United States maintain the top three positions as our key seafood export partners. Exports to Australia continue to drop, down 21 percent compared with the first quarter of 2013.

The below shows how different the top five export countries are in terms of the types of seafood they purchase from New Zealand. Australia and Japan favour finfish while the US and Hong Kong prefer shellfish. Exports to China are dominated by rock lobster and some finfish.

COMPOSITION OF EXPORTS TO TOP 5 TRADING PARTNERS - 2013



TOP 10 EXPORT VALUES (NZ\$) Q1 2013 Q1 2014 % Change

Rank	Country	Q1 2013	Q1 2014	% Change
1	China	93	108	▲ 16
2	Australia	76	60	▼ -21
3	United States	34	53	▲ 56
4	Japan	29	23	▼ -21
5	Thailand	9	15	▲ 67
6	Hong Kong	12	11	▼ -8
7	France	9	10	▲ 11
8	South Korea	12	9	▼ -25
9	Spain	9	9	-
10	Germany	8	5	▼ -38

EXPORTS BY SPECIES

Rock lobster exports continue to show significant growth with export value up by 25 percent over the past year. Mussels have also shown strong growth over the first quarter of this year as they recover from adverse weather conditions in 2012 and 2013. Tuna and salmon saw large drops in value over the first quarter of the year.

TOP 10 EXPORT VALUES (NZ\$) Q1 2013 Q1 2014 % Change

Species	Q1 2013	Q1 2014	% Change
Rock lobster	55	69	▲ 25
Hoki	39	37	▼ -5
Mussels	48	72	▲ 50
Tuna	25	11	▼ -56
Squid	13	11	▼ -15
Salmon	17	10	▼ -41
Jack mackerel	24	25	▲ 4
Ling	14	12	▼ -14
Snapper	9	8	▼ -11
Orange roughy	8	8	-

EXPORTS OF MAIN COMMODITIES

Exports of primary processed fish, crustaceans and molluscs totalled \$346m for the first quarter of 2014, an increase of three percent compared with the same period in 2013. The seafood industry also contributed a further NZ\$34m in processed products such as capsules, powders, fish cakes and fingers.

Due to an improving global economy, the export value of all New Zealand's commodities were up by 17 percent.

NZ EXPORTS OF MAIN COMMODITIES (NZ\$) Q1 2013 Q1 2014 % Change

Commodity	Q1 2013	Q1 2014	% Change
Milk powder, butter & cheese	3,271	4,779	▲ 46
Meat & edible offal	1,655	1,873	▲ 13
Logs, wood & wood articles	797	983	▲ 23
Mechanical machinery & equipment	325	351	▲ 8
Fruit	145	216	▲ 49
Crude oil	365	310	▼ -15
Fish, crustaceans & molluscs	337	346	▲ 3
Total exports	11,648	13,671	▲ 17

Source: Export data, Statistics NZ.

Source: Overseas merchandise trade, March 2014, Statistics NZ.

INTERNATIONAL STATISTICS

The FAO recently released its report *The State of World Fisheries and Aquaculture 2014*. The key findings included:

- Global fish production continues to outpace world population growth, and aquaculture remains one of the fastest-growing food producing sectors. In 2012, aquaculture set another all-time production high and now provides almost half of all fish for human food.
- World per capita fish consumption increased from an average of 9.9kg in the 1960s to 19.2kg in 2012 per annum.
- Fish remains among the most traded food commodities worldwide. In 2012, about 200 countries reported exports of fish and fishery products. Seafood exports represented about 10 percent of total agricultural exports and 1 percent of world merchandise trade in value terms.
- The share of seafood production that was exported grew from 25 percent in 1976 to 37 percent in 2012. Export value reached a peak of US\$129.8b in 2011, then fell slightly in 2012 to US\$129.2b but is expected to be higher in 2013.
- China has been responsible for most of the growth in fish availability, owing to the dramatic expansion of fish production from aquaculture. China produces two thirds of the world's aquaculture food fish.
- The FAO estimates that overall, fisheries and aquaculture assure the livelihoods of 10-12 percent of the world's population.
- The proportion of fisheries production used for direct human consumption increased from about 71 percent in the 1980s to more than 86 percent in 2012, with the remainder destined for non-food uses (eg. fishmeal and fish oil).
- An important change in trade patterns is the increased share of developing countries in fishery trade.

SPOTLIGHT ON ORANGE ROUGHY



- Orange roughy is one of New Zealand's most significant seafood exports and a favourite for many New Zealand households (when they can get their hands on it!).
- The Total Allowable Commercial Catch (TACC) for Orange Roughy is 6,941 tonnes. In the most recent full fishing year (October 2012 – September 2013) 5,324 tonnes was caught – 77% of the TACC.
- Of the 5,324 tonnes caught, the majority is exported to either the United States as frozen fillets, to Australia in a variety of forms and China frozen either whole or in 'other forms'.
- Concerns had been raised in the past about the status of orange roughy stocks. To improve the situation, more science-based information was collected to inform management and catches had been reduced or stopped to allow stocks to rebuild at the fastest rate possible.
- Better information on stock status from increased science has found stocks are rebuilding as a result of this cautious management approach.
- The orange roughy fishery has just entered into full Marine Stewardship Council (MSC) assessment. This assessment will determine whether the fishery will be deemed to be sustainably managed and will receive the globally recognised MSC certification.
- The Ministry for Primary Industries (MPI) has also just proposed changes to several orange roughy fishstocks based on the latest scientific information on the status of the stock, and tangata whenua and stakeholder input. More about that can be found on the MPI website.

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.

Hoki, snapper and rock lobster continue to be caught up to their full limits. There is the potential to increase catch levels for some deepwater species such as jack mackerel, orange roughy, squid and southern blue whiting.

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

THIS YEAR:

As at 1 April, the following species had tonnage changes made to their TACCs:

- Rock Lobster (CRA2): from 236,083 to 200,000
- Rock Lobster (CRA3): from 225,500 to 260,950
- Rock Lobster (CRA4): from 499,700 to 467,000
- Rock Lobster (CRA7): from 44,000 to 66,000
- Rock Lobster (CRA9): from 47,008 to 60,800
- Southern Blue Whiting (SBW6I): from 29,400,000 to 39,200,000
- Scallop (SCA7): from 747,000 to 400,000.

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 2012-14 fishing years		
				Same period 2012/13	Latest catch figures 2013/14	% change
October stocks (1 Oct 2012-30 Sept 2013)	Catch	TACCs*	% of catch against TACC	1 Oct 2012-31 Mar 2013	1 Oct 2013-31 Mar 2014	
Hoki	131,568	130,010	101%	32,477	32,472	-
Jack mackerel	43,659	60,547	72%	27,617	29,967	9%
Squid	24,636	127,332	19%	7,584	7,108	-6%
Barracouta	24,972	32,672	76%	16,003	18,845	18%
Oreo	10,978	18,860	58%	11,303	7,503	-34%
Snapper	6,301	6,357	99%	8,928	9,310	4%
Orange roughy	5,324	6,941	77%	3,502	3,531	1%
Blue cod	2,194	2,332	94%	3,085	3,290	7%
Paua	910	1,058	86%	697	555	-20%
April stocks (1 Apr 2012-31 Mar 2013)				1 Apr 2012-31 Mar 2013	1 Apr 2013-31 Mar 2014	
Southern blue whiting	33,056	43,408	76%	29,906	33,056	11%
Rock lobster (spiny, packhorse)	2,872	2,896	99%	2,807	2,872	2%

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

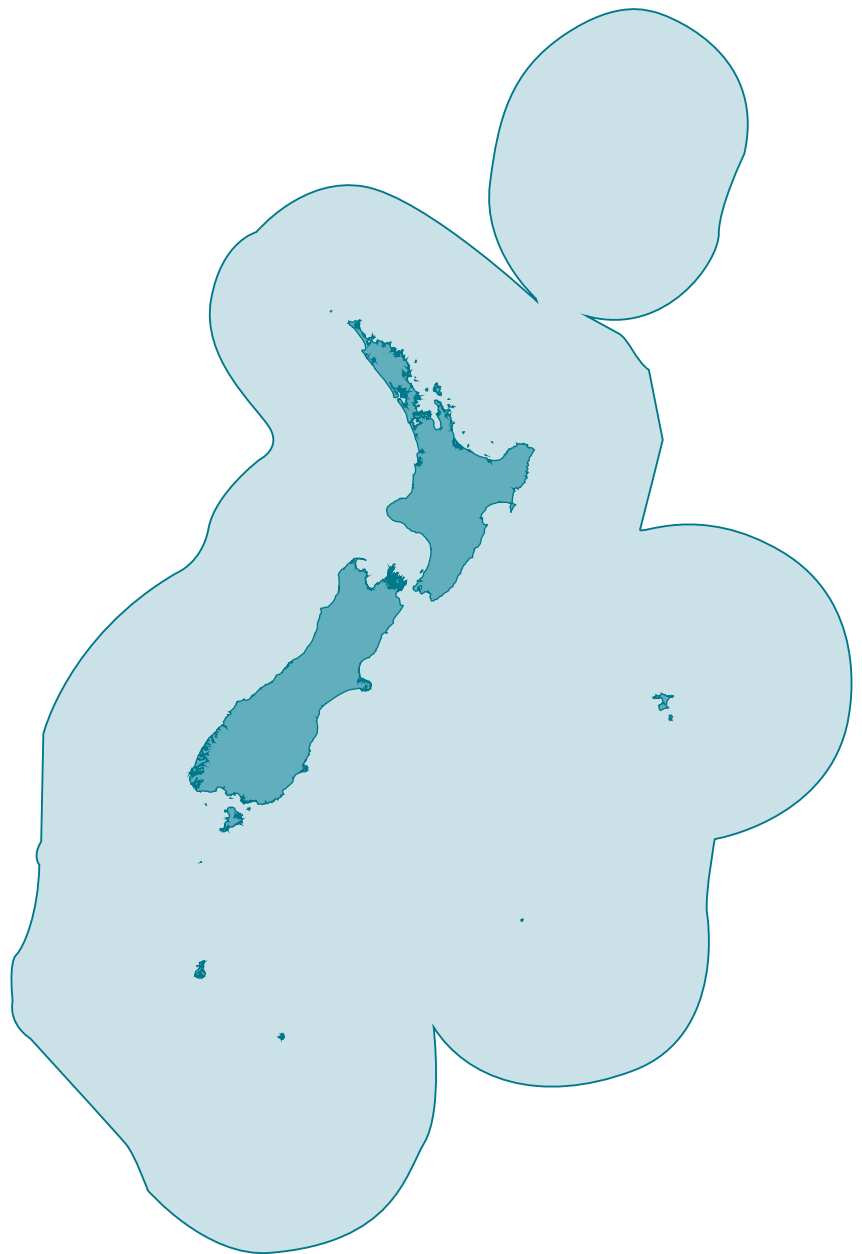
Exports in 2013

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.