INFOPECHE UNIT IN SOUTHERN AFRICA

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MARKETING INFORMATION AND TECHNICAL ADVISORY SERVICES FOR THE FISHERIES INDUSTRY IN SOUTHERN AFRICA

Salmon (Norway) Market Report – FEBRUARY 2010

Tight supplies in 2010 and firming prices

Farmed salmon prices are markedly higher in the European market and are expected to remain firm during 2010 although with some seasonal variation. Supply swings resulting from climatic conditions or holidays will influence prices for short periods. However, the underlying factors that are driving salmon prices remain the following: on the demand side, growth in salmon sales is expected in most markets; and, on the supply side, growth in production in Norway and most other European producing countries will not be large enough to fully compensate for drastic decreases in Chile's salmon supply throughout 2010.

Production
Farmed salmon: World

	2006	2007	2008	2009*	2010*
	(1000 tonnes)				
ATLANTIC SALMON					
Norway	600	725	790	880	900
Chile	370	355	360	180	95
UK	125	140	145	150	160
Canada	115	110	110	120	140
Faeroe Is.	13	20	25	30	35
Australia	16	20	20	20	22
Ireland	15	15	15	15	18
USA	10	12	12	15	20
Others	3	3	3	5	5
Total	**1267**	**1400**	**1480**	**1415**	**1395**
PACIFIC SALMON					
Japan	10	10	10	10	10
Chile	115	120	113	120	135
Canada	10	8	7	7	7
New Zealand	10	10	10	10	10
Total	**145**	**148**	**140**	**147**	**162**
Gr. Total	**1412**	**1548**	**1620**	**1559**	**1557**

Source: GLOBEFISH AN 12201
* estimate

A record year for Norway in 2009 but some stability in 2010

Norway's salmon exports for 2009 showed record numbers, again, growing 16.3 % in volume to 834 000 tonnes (round weight equivalent) and 32% in value to NOK 23.7 billion.

71% of export volumes and 70% of values are to the EU with France, Poland, Denmark and the UK as the largest destinations. Non-EU markets such as Russia, the USA and Japan all showed growth in imports from Norway, mainly thanks to the shortfall in Chilean supply. Export growth to the USA in particular was spectacular with 300% increases from 2008.

But not all Norwegian companies have benefited from the Chilean problems. It must be recalled that many Norwegian companies have extensive operations in Chile and these have suffered from the ISA virus to the same extent as the purely Chilean companies. Within Norway, some companies have had production problems in 2009, in particular related to sea lice.

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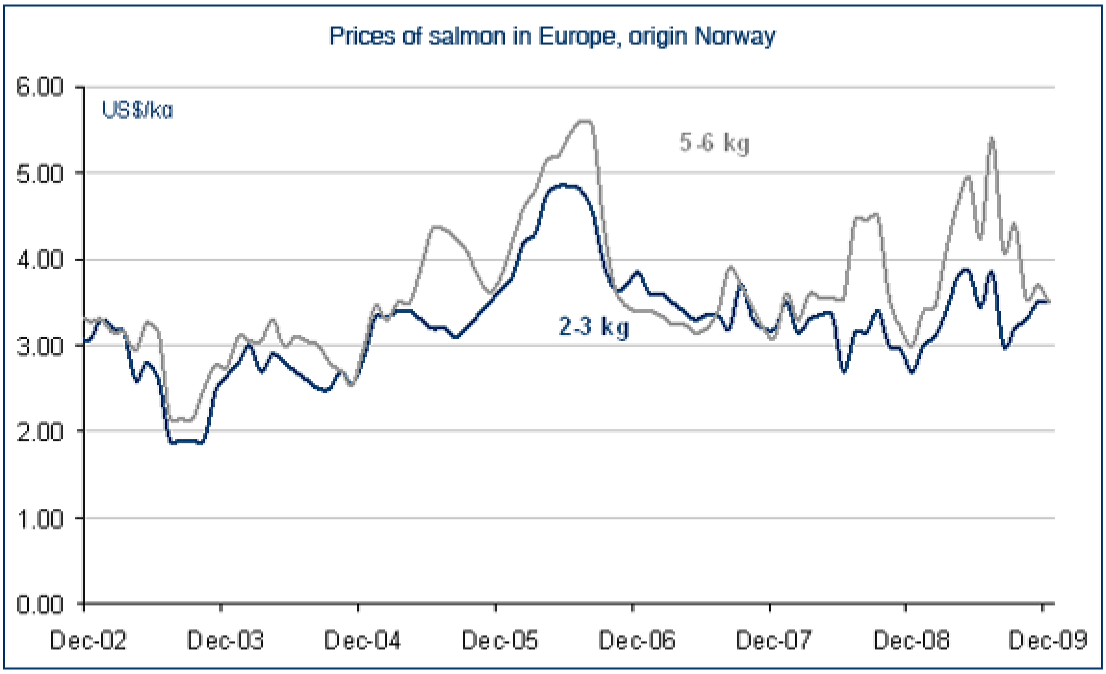

Norway's record exports in 2009 were undoubtedly the result of growing production aimed at external markets, as the domestic market with only 4.5 million inhabitants is limited. Whether this growth will continue into 2010 is not certain however, with some analysts now predicting a stabilization of Norwegian production. In combination with a record low production in Chile, this would lead to lower overall supplies to many markets, in particular the USA where Norway has taken up some of the slack caused by Chile's strong reduction in production and sales.

Exports (quantity)
Salmon and Trout: Norway

	...................Jan-Dec...................			...................Jan-Sept..................		
	2006	2007	2008	2007	2008	2009
	(1000 tonnes)					
Salmon	**494.4**	**585.4**	**598.6**	**411.6**	**422.9**	**515.5**
Fresh	397.0	493.4	514.8	347.3	365.8	394.0
Frozen	37.8	42.9	33.7	28.6	22.6	19.7
Fresh fill.	27.5	33.3	35.3	23.5	24.8	39.3
Froz. fill.	18.0	15.8	14.8	12.2	9.7	18.0
Trout	**46.9**	**58.8**	**76.8**	**31.2**	**54.6**	**44.5**

Source: Norwegian Seafood Export Council

2010 a year of consolidation but 2011 promises to be challenging

Some stabilization of Norwegian production levels in 2010 and 2011 would be beneficial in the longer-term, as the Chilean comeback in 2011 and 2012 otherwise could cause drastically lower prices in all markets and for all producers. Such a scenario with extreme cyclical price movements would not be beneficial for the industry. Although consumers and processors would benefit in the short term from a price fall, Norway and Chile as well as the other producing countries are all dependent on some stability to be able to grow sustainably in the long run. However, 2010 and 2011 should be good years for Norwegian producers.

Chilean production of salmon and trout is strongly lower than in previous years, reflecting the impact of ISA virus on the main species, Atlantic salmon. However, the reduction in the outbreaks of the disease, as well as production figures above the original estimations for 2009, has allowed an improvement in expectations. It is expected that 2010 production will not show an increase, and it might possibly be lower, although seeding should show a recovery, after dropping by around 80% in 2009. The availability of vaccines for the virus is another positive sign for the next year. The lower availability of raw material allowed international prices to maintain their level. Other suppliers have not managed to fill the gap left by Chilean salmon; such is the case of the US, where other exporters such as Norway, grew their sales to that market, but could not fully compensate the fall of Chilean sales.

Report prepared by Audun Lem