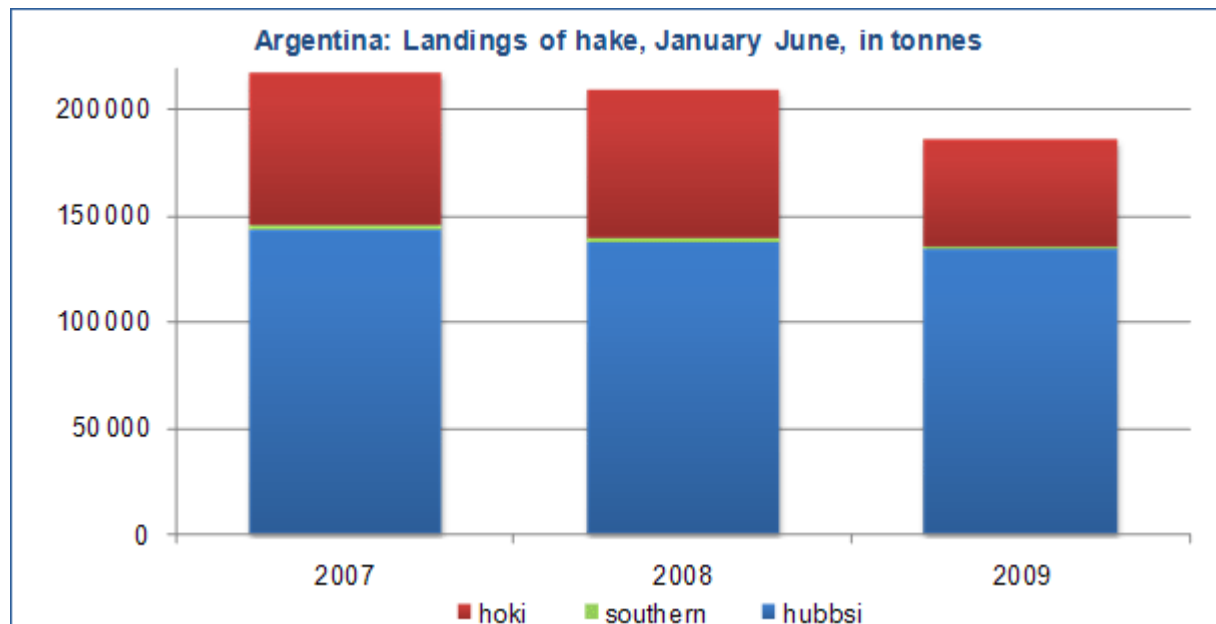


## Hake Market Report – JANUARY 2010

### Lower landings of hake in Argentina

Argentinean landings of hake in the first half of 2009 totalled 186 467 tonnes, which represents an 11% fall compared with the same period in 2008. The lower level of landings is a trend observed in all species, hubbsi (-2%), hoki (-29%) and southern hake (-32%), with hubbsi being the main captured species with a 72,5% share in total landings. Taking into consideration landings in the first nine months of 2009, the reduction is lower (-7%), but the fall in hubbsi landings is more significant (-4%). Up to September 2009, total landings of hubbsi hake were 193 752 tonnes, while landings of hoki were 70 681 tonnes (-15%). Additionally, total catches of southern hake were 266 124 tonnes in the first nine months of 2009.

Landings of hubbsi hake have been falling continuously since 2005, and the resource is considered to be in a critical state. However, according to research performed by the National Institute of Fisheries Research and Development (INIDEP) at the beginning of the year, the resource might be showing some signs that would point towards a possible recovery. The study showed a higher proportion of juveniles compared with last year, and, even more significant, a higher number of specimens in the age group prior to the reproductive stage than in 2005. These results both allow some optimism for the future state of the species and issue a challenge for adequate management to ensure the recovery of the resource.



In response to the need for improvement in management of the hake fishery, the national authorities announced a plan to implement an individual transferable quota system, in order to improve transparency and allow better control of catches. The system is expected to start operating at the beginning of 2010. Some operators have already accepted the proposals, while some unions and associations have expressed their concern regarding the effect these measures could have on small scale fishermen, as well as the methodology and the information used to calculate the individual quota assessments. The new system will set quotas for each Province, which must remain in that Province even if a boat receiving a quota is sold to a company in another Province. This aims to control fishing levels in the different regions of the Argentinean coast. Several companies have moved to northern ports in order to reduce costs, which has raised concern among authorities. The quotas will be assigned for fifteen years, and a number of criteria will be used to determine the size of the quota, including previous investments and jobs created, number of personnel, payment of taxes and historical catches.

### Exports grew in terms of volume but the unit price fell significantly

During the first semester of 2009, Argentinean exports of hubbsi hake products grew 11% in terms of volume compared with the same period in 2008, but given a 19% drop in unit value of exports, the total

revenues for hubbsi exports fell 10%, totalling 65 833 tonnes worth USD 148,6 million, accounting for 28% of total exports of fishery products in the period reviewed.

Argentina: Exports of hake, January-June							
Product	2008		2009		Change 08-09		
	Tonnes	1000 USD	Tonnes	1000 USD	Vol	Val	Unit value
<i>Fresh hubbsi hake</i>							
fillets	31	178	3	13	-90,8%	-92,5%	-18,8%
whole and H&G	2 573	4 914	3 978	6 483	54,6%	31,9%	-14,7%
other products	16	121	34	185	108,5%	52,7%	-26,7%
<i>Frozen hubbsi hake</i>							
whole and H&G	14 903	26 591	18 671	28 811	25,3%	8,3%	-13,5%
fillets	40 332	129 649	39 471	102 362	-2,1%	-21,0%	-19,3%
steaks and portions	256	1 060	696	4 495	172,0%	324,1%	56,0%
other products	1 011	1 781	2 981	6 295	194,9%	253,4%	19,9%
<b>Subtotal hubbsi</b>	<b>59 122</b>	<b>164 294</b>	<b>65 833</b>	<b>148 644</b>	<b>11,4%</b>	<b>-9,5%</b>	<b>-18,7%</b>
<i>Frozen hoki</i>							
whole and H&G	7 823	10 708	8 732	10 678	11,6%	-0,3%	-10,7%
fillets	8 936	22 698	7 232	19 406	-19,1%	-14,5%	5,6%
other products	1 107	1 376			-100,0%	-100,0%	-
<b>Subtotal hoki</b>	<b>17 866</b>	<b>34 783</b>	<b>15 964</b>	<b>30 085</b>	<b>-10,6%</b>	<b>-13,5%</b>	<b>-3,2%</b>
<i>Other products</i>	1 283	5 927	1 167	5 125	-9,0%	-13,5%	-5,0%
<b>Total general</b>	<b>78 270</b>	<b>205 005</b>	<b>82 964</b>	<b>183 854</b>	<b>6,0%</b>	<b>-10,3%</b>	<b>-15,4%</b>

Source: SAGPyA

Frozen fillets are the main product that is exported, with 39 419 tonnes worth USD 102,2 million accounting for 64% of total volume and 74% of total value of exports of hubbsi. Exports of frozen fillets fell 3% and 22% in terms of volume and value; consequently, the unit value of exports dropped by 19%. The main destination for Argentinean frozen fillets in the period reviewed was Brazil, with a 46% share in terms of volume and a 44% share in terms of value, followed by the US market (12% both in terms of volume and value) and Italy (10% and 11%). Sales to Brazil grew significantly in the period surveyed, +69% in quantity and +38% in value. The frozen fillet category is the only one that showed a reduction in the volume of exports.

The second main product that is exported is whole frozen hake, with a 30% and 21% share in total volume and value. Markets for these products are more diversified, with Jordan being the main buyer in terms of volume (18%), followed by Spain (15%) and Cameroon (9%). As for exports of fresh whole hake, the main buyer is neighbouring Uruguay, with a 94% share in total volume of fresh whole exports (3 720 tonnes), most likely for further processing and re-export to other markets such as the EU, one of the main destinations for Uruguayan products.

Regarding hoki, between January and June 2009, exports of this species totalled 15 964 tonnes worth USD 30 million, which represents an 11% and 14% fall in volume and value compared with the same period in 2008. Therefore, the unit value showed a lower reduction than hubbsi products (-3%). In terms of volume, the main product exported are whole hubbsi and hoki, with a 55% share; but in terms of value, frozen fillets account for 65% of total revenues in foreign trade. The main destination for frozen fillets in the period reviewed is France, with a 23% share of total volume, followed by China (12%) and Germany (10%). Sales of frozen whole hoki are more restricted, with China the destination of 37% of exports, and Germany in second place with 8%.

### Outlook for the fishing industry in Argentina is rather uncertain

The fishing industry in Argentina is going through a very difficult period. This is caused by several factors. Apart from the low availability of raw material in the hake sector, the international market crisis has pushed down prices. The other two main export species, squid and prawns, have also been affected by low prices. Squid landings have been very low this year as well, and prawns faced strong competition from aquacultured products. The lower income makes it difficult to cope with higher costs and a significant proportion of wages in the total costs of production (which in some cases reaches 60%). On the other hand, the need for salary increases in order to compensate for the loss of purchasing power of workers has caused conflicts and strikes. Companies have asked for financial support from the authorities in order to be able to meet salary increases. Other problems include lack of credit for export pre-financing, high docking fees, energy, fuel and water costs, an increase in transportation cost for exports, higher costs from the Provincial governments (such as fishing permits), delays in tax returns and high absenteeism. This critical situation has resulted in many companies moving to other cities to save costs and selling some

of their ships. The availability of raw material and the improvement in demand in the international markets are key aspects for the Argentinean fishing industry in the short term.

Report prepared by INFOPESCA  
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