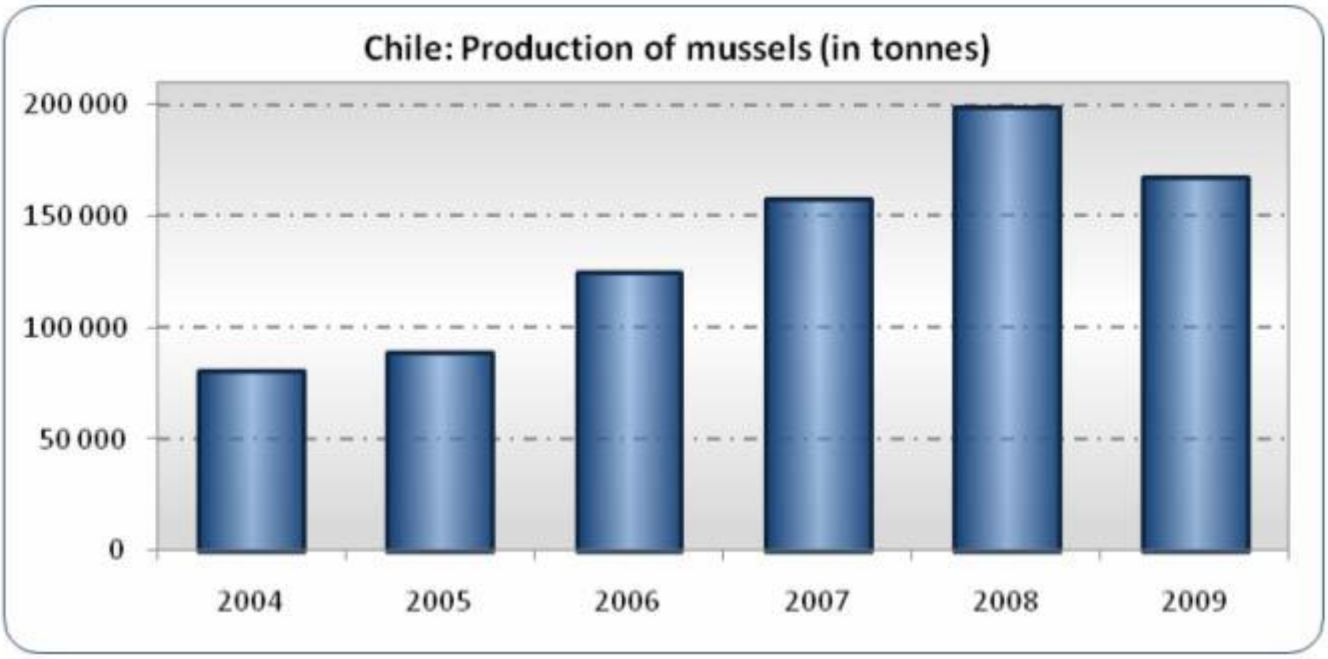
INFOPECHE UNIT IN SOUTHERN AFRICA
INFOSA
MARKETING INFORMATION AND TECHNICAL ADVISORY SERVICES FOR THE FISHERIES INDUSTRY IN SOUTHERN AFRICA

# MUSSELS (CHILE) Market Report – MAY 2010

**Lower production in 2009**

After more than ten years of sustained growth, Chilean production of mussels (Mytilus chilensis) fell for the first time. In 2009, the harvest of mussels totaled 167 876 tonnes, a 16% drop compared with 2008. Chilean aquaculture of mussels had more than doubled its output from 80 558 tonnes in 2004 to a peak of 199 168 tonnes in 2008.

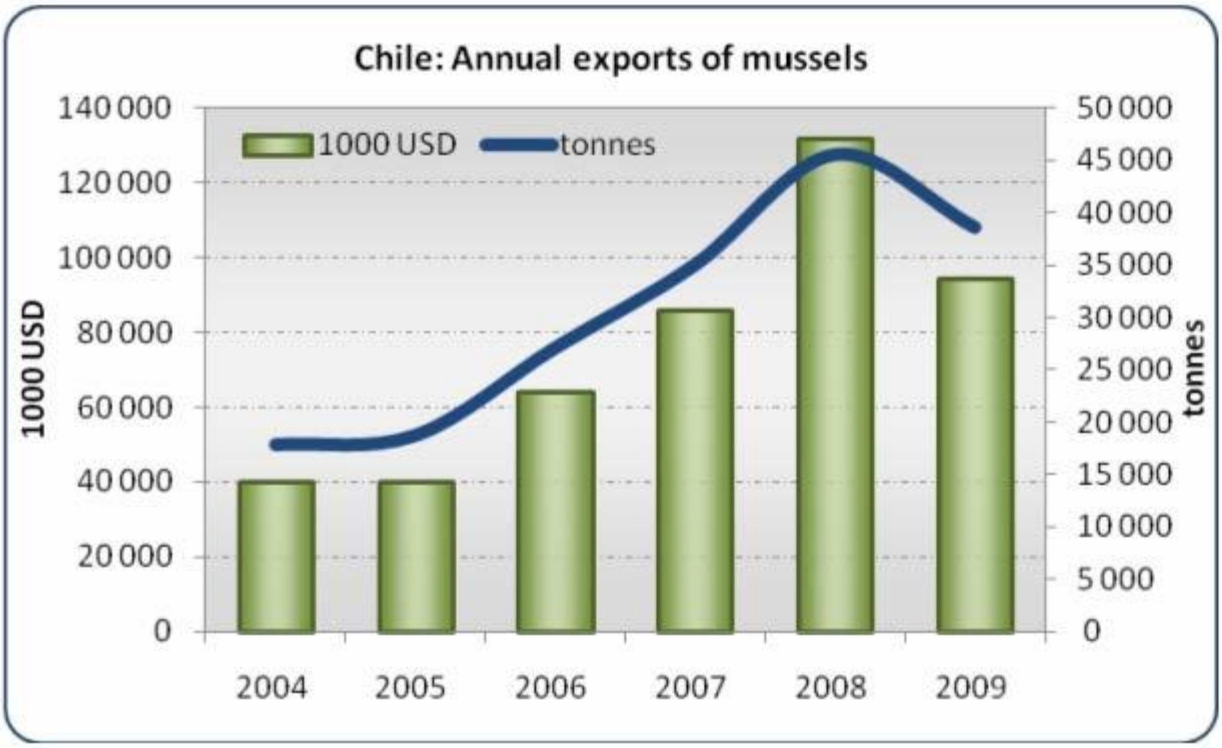



Several factors affected the mussel industry in 2009. First of all, the international financial crisis caused a change in purchase patterns by the main buyers of this product, with larger sized products becoming more popular. The cutback in demand forced many Chilean producers to delay harvests and to look for alternative markets to avoid overproduction. However, coincidently, crop yields were lower, and therefore output biomass actually showed a significant reduction, which is reflected in production figures. The causes of this low level of growth are not clear yet, but it is possible that the "La Niña" phenomenon, which causes water temperature to go down, could have affected production, or that some areas were overstocked.

At the beginning of 2010, Chile was hit by an earthquake followed by a tsunami, which had a serious impact on the fishing industry. Some farms were seriously damaged by the change in tides caused by the tsunami, leading to significant variations in water levels and currents, in turn damaging production lines, and in some cases, wiping out the entire stock. However, the damage to processing plants was less significant, although some finished products that were in containers or in cold storages waiting to be shipped were lost. Shipments were delayed as a result of disruption to power and fuel supplies and difficulties with road transport. Therefore, forecasts of recovery in 2010 have to be downsized.

**Lower demand and lower production result in drop in exports**

The downturn in demand generated by the economic turmoil has affected the international trade of mussels, including exports from Chile. Almost 90% of Chilean exports are destined for developed markets, which were the hardest hit by the economic downturn. The main market is the EU, in particular Spain, where the economic crisis was very strongly felt. Chilean exports of mussels in 2009 totaled 38 572 tonnes worth USD 94.4 million, which represents a drop of 15% and 28.5% in volume and value respectively. As a result the unit value of exports fell by 16% in a year-to-year comparison, in line with an overall downward trend in international prices. This fall in foreign trade is the first setback after five years of sustained growth of sales to foreign markets.

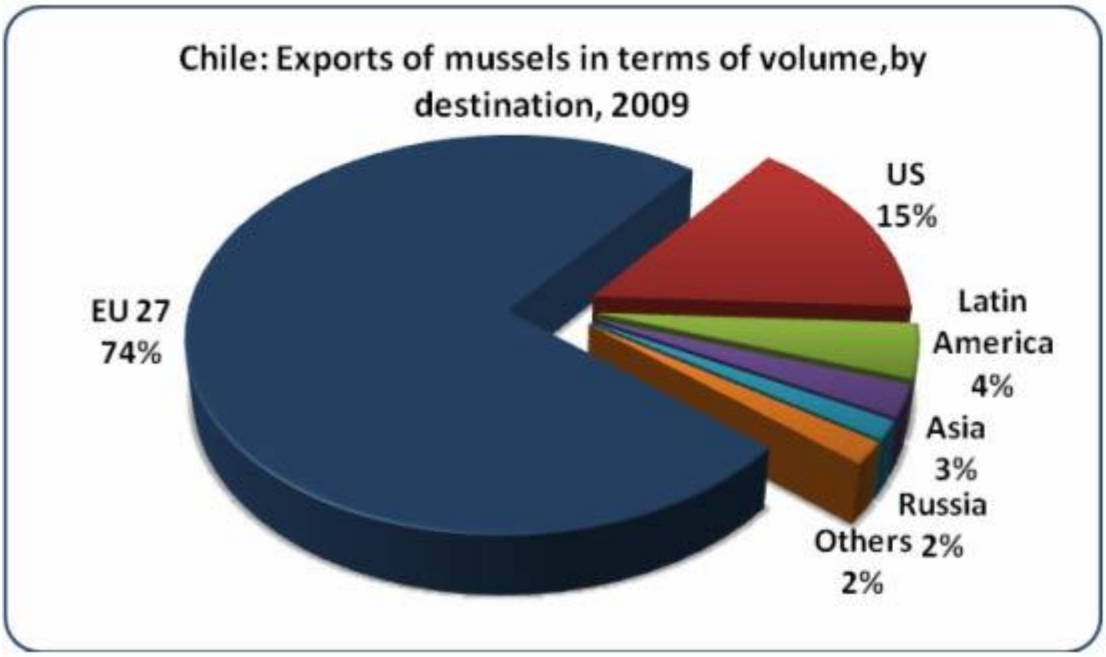



The main Chilean export product is frozen mussels, which accounts for 92.5% of total exported volumes. In terms of value, the share of frozen products is lower, at 84%. The second main export product is canned mussels, with 2 854 tonnes worth USD 15.2 million. It accounts for 7.5% and 16% of total exported volume and value respectively. Exports of fresh/live products are only marginal. It is worth noting that the downward trend in unit value was applicable to in all lines of production, being greater in frozen products (-20%) than in canned (-12%). By contrast, purchases of canned mussels by foreign markets were the only item that registered an increase in trade, (+65% and +45% in terms of volume and value), which allowed exports of this product to double.

| Chile: Exports of mussels by product form | | | | | | | |
|---|---|---|---|---|---|---|---|
| Product | 2008 | | 2009 | | Change 08/09 | | |
| | tonnes | 1000 USD | tonnes | 1000 USD | Vol | Val | Unit value |
| Frozen | 43 766 | 121 409 | 35 717 | 79 137 | -18,4% | -34,8% | -20,1% |
| Canned | 1 732 | 10 471 | 2 854 | 15 222 | 64,8% | 45,4% | -11,8% |
| Fresh | 1 | 3 | 1 | 2 | -25,0% | -27,1% | -2,8% |
| **TOTAL** | **45 499** | **131 882** | **38 572** | **94 361** | **-15,2%** | **-28,5%** | **-15,6%** |

*Source: IFOP - Exports Bulletin*

As already mentioned, the EU is the main target market for exports, with a 74% share in terms of volume (28 740 tonnes worth USD 71 million), followed by the USA with a 15% share (5 859 tonnes, USD 14.2 million). While sales to the EU markets fell significantly (-24% in terms of volume, -37% in terms of value), purchases from the other main markets showed positive growth (USA: +31%, +45%; Latin America: +18%, +9%, in terms of volume and value respectively). It is also worth noting that only trade with the US market showed a positive trend in unit value (+11%). Spain is the main single country market, with 9 407 tonnes worth USD 29.4 million (these figures represent a share of 24% and 31% respectively). More than two thirds of purchases by Spain are frozen products, as this is one of the most significant sources of raw material for the Spanish canning industry, replacing the use of domestic mussels for canning. Another point worth highlighting is that Chilean mussels enter the EU and the US markets with 0% duty.




**Recovery expectations postponed and need for market diversification**

The impact of the earthquake and tsunami that hit Chile in late February 2010 forced operators to postpone the expectations of an industry recovery in 2010, although in the mid and long term outlooks the sector is seen to be solid.

The slowdown in demand caused by the international crisis has made it evident that there is a need for market diversification. Consequently, the industry is starting to work on several fronts. First of all, other potentially relevant markets, such as Mexico and Brazil have been identified. In both markets one of the competitive advantages of the Chilean product is its lower prices compared with products from other origins, for example New Zealand. In the case of Brazil the already expressed intention of the government to increase seafood consumption presents another market opportunity, as does the good performance in terms of economic growth. The other market niche that the industry is aiming for is the domestic market. The strategy to gain new markets will focus on the quality of the product, the certification of Chilean aquaculture practices and the modernisation of the industry, as well as promoting the initiative to use the name "Chilean mussel" to position the product in international markets.

At present Chilean consumption of mussels is estimated at 14 000 tonnes, about 10% of the total harvest. Campaigns are to be undertaken with the objective of increasing domestic consumption four-fold. On the production side, the Chilean Producers Association (AmiChile) is working towards the export of live mussels to the EU. This is perceived as a good market niche, considering that about half of Spanish consumption of mussels is fresh/live products. These efforts aim to increase access to more diverse markets, but at the same time to continue to focus on value-added products.

By Javier López Ríos (INFOPESCA)