Locked in conventions

Norwegian performance in the cod processing industries

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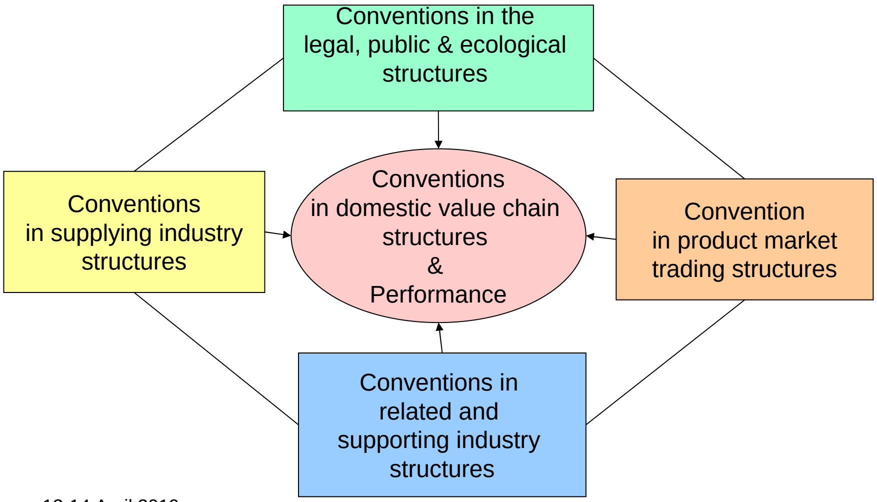
Research question

- How does the convention structures in the production environment influence conduct & performance in salted fish export from Norway compared to Iceland?
  - Convention structures
    - The structure of beliefs, rules and practices in the manoeuvring room for business
    - Dependent of previous experiences and investments

Analytical model



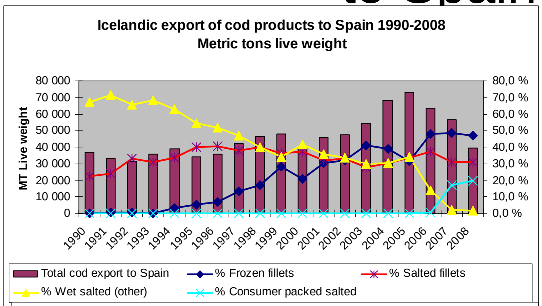
Methodology

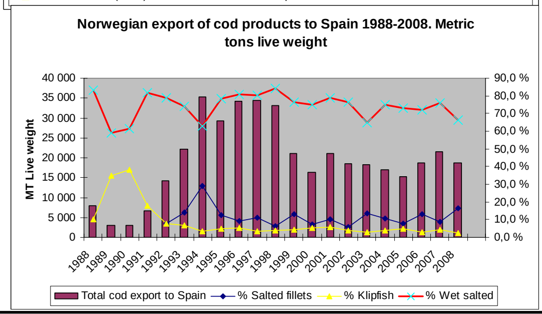
- Data
  - Statistics Norway (SSB): Landing statistics
  - Statistics Iceland (Hagstofa Islands): Landing statistics
  - Seafood Norway (EFF) and SSB: Import/export statistics
  - Norwegian Directorate of Fisheries: Conversion data
  - Interviews with Icelandic key informants
  - Reports and literature
- Product flow calculated in live weight equivalents.
- Product prices calculated in 2008 € values

Norway and Icelandic export performance of cod to Spain

Annual Cod export to Spain 1990-2008. Average live weight in MT and unit value in 2008€						
	Norway		Iceland		Norway/Iceland	
	1990-99	2000-08	1990-99	2000-08	1990-99	2000-08
Cod export to Spain	23 327	18 377 (-21%)	38 294	54 238 (+42%)	61%	34%
Total cod export to world	453 477	345 437 (-24%)	281 745	250 970 (-11%)	161%	138%
Export share to Spain	5 %	5 %	14 %	22 %		
Export value/kg to Spain	1,74	2,00 (+15%)	1,89	2.03 (+7%)	92%	98%
Total export to world value/kg	1,71	2.12 (+24%)	1,74	2.17 (25%)	98%	98%

Differences in export conventions to Spain



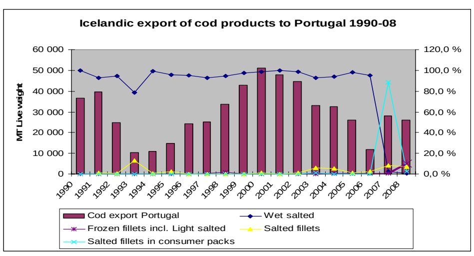


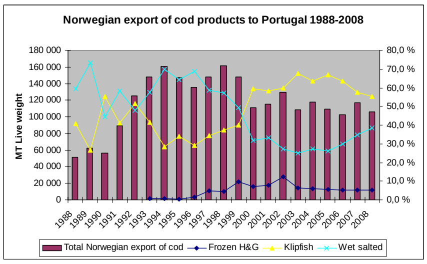
- Iceland:
  - Convenience packs increase
    - Fillets: frozen and salted
    - Consumer packs
- Norway:
  - Wet salted for further processing in Spain: Stable export share

Higher prices in other markets

Average export prices of all cod products in live weight in 2008 €					
Norway to	1990-99	2000-08	Iceland to:	1990-99	2000-08
Italy	2,15	2,62	France	1,66	2,58
France	1,66	2,41	Italy	2,09	2,49
Brazil	2,28	2,26	Portugal	1,82	2,48
Denmark	1,51	2,21	All markets	1,74	2,17
Other markets	1,77	2,17	Other markets	1,70	2,15
All markets	1,71	2,12	Greece	1,80	2,14
Spain	1,74	2,00	Spain	1,89	2,03
Portugal	1,69	1,92			
Greece	1,68	1,89			

Differences in export conventions and performance in Portugal

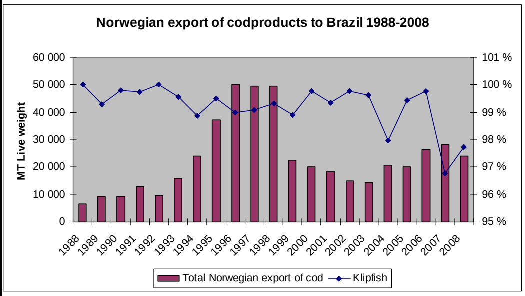




	Norway		Iceland		Norway/Iceland	
	Aver. 1990-09	Aver. 2000-08	Aver. 1990-09	Aver. 2000-08	Aver. 1990-09	Aver. 2000-08
Total cod export to Portugal	112 430	122 536	26 272	33 526	4,28	3,66
Export share	24,8 %	35,5 %	9,3 %	13,4 %		
Export value/kg	1,69	1,92	1,82	2,48	93%	77%

- Iceland
  - Wet salted, stable share until 2006
  - Consumer packs after 2000
  - Higher prices than Norway
- Norway
  - Wet salted decreases & klipfish increases until 2000
  - Relative stability after 2000
  - 3-4 times higher export than Iceland
  - Prices decreases from 93 to 77% relative to the Icelandic prices

Differences in export conventions to Brazil



- Norway dominates the Brazilian market for salted cod.
  - 97-100% klipfish
  - Stability after 2000
- Iceland low in Brazil's cod market

	Norway		Iceland	
	Aver. 1990-09	Aver. 2000-08	Aver. 1990-09	Aver. 2000-08
Total cod export to Brazil	28 026	20 780	1 223	34
Export share	6,2 %	6,0 %	0,4 %	0,0 %
Export value/kg	2,28	2,26	2,29	0,96

The Icelandic export convention structures is more differentiated than the Norwegian

	Norway		Iceland		Norway/Iceland	
	Aver. 1990-09	Aver. 2000-08	Aver. 1990-09	Aver. 2000-08	Aver. 1990-09	Aver. 2000-08
Total cod export to *Other markets Except Spain, Portugal, Greece Denmark, the Netherlands and Brazil*	164 650	88 687	158 016	120 662	104%	74%
Export share	36,3 %	25,7 %	56,1 %	48,1 %		
Export value/kg	1,77	2,17	1,70	2,15	104%	101%

- Norway most focused on the saltfish markets, only 25.7% were exported to other markets after 2000
- Iceland exports 50% to other markets than saltfish markets
  - like markets for fresh and frozen fillet in the UK and USA

Main findings

- Iceland more market oriented:
  - Marketing of diversified products according to market preferences and value adding opportunities
  - Key strategy: Optimizing market mix by sorting and standardizing products (fresh, salted, frozen) after market segments and keeping up competitive pressure from a broad portfolio of many alternative markets and product forms
- Norway more production oriented
  - Export of standard products like H&G fresh and frozen, klipfish, wet salted, and stockfish mainly for further processing, sorting, packaging in the market.
  - Key strategy: Low cost flexible processing of big volumes according to fish landings
- What kind of structures cause the differences in conventions and performance?

Processing and exporting margins

Cod total supply, domestic consumption and export. Live weight in metric tons and unit value in 2008 €

	Norway		Iceland		Norway/Iceland	
	Average 1990-09	Average 2000-08	Average 1990-09	Average 2000-08	Average 1990-09	Average 2000-08
Cod landings	285 995	220 493	250 044	207 014	114 %	107 %
Cod import	137 265	91 943	11676	2 846	1176 %	3231 %
Total cod supply	423 260	312 436	261 720	209 860	162%	149%
Supply value/kg	1,39	1,85	1,25	1,73	111%	107%
Total cod export	453 477	345 437	281 745	250 970	161%	138%
Export value/kg	1,71	2,12	1,74	2,17	98%	98%
Trading margin	23%	15%	39%	25%		

- 1/3 of the Norwegian export are imported rawfish from Russia: fresh in the 1990a, frozen in the 2000s=> klipfish value chain
- The Icelandic processing and exporting industry had in average *16% (1990s) and 11% (2000s) higher trading margins*
- *Norway has regulated minimum prices (average 1.85€ in 2000s)*
- *In Iceland fresh auction (average 17% of landings 2.16€ in 2000s) and contract prices for processing market 1.63€ (76% of auction prices)*

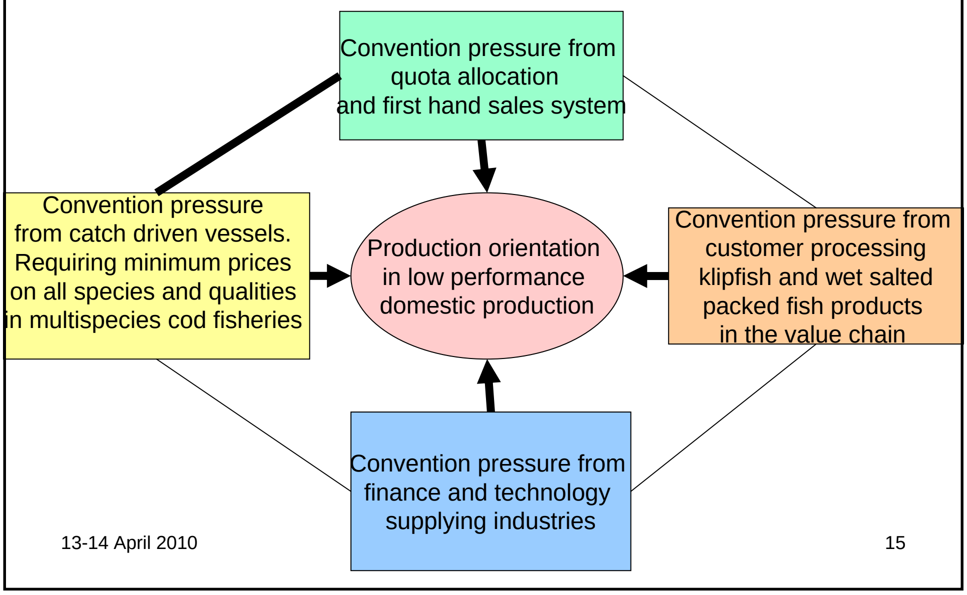
Explanation of adaptation

- The Norwegian fisheries management system favours production conventions of standardized saltfish products
  - Low processing and export margins
    - Weak economic strength and interests for investment in market oriented product and supply conventions
- Supported of the Klipfish industry's dominating position
    - Build up under protection of production and exporting laws (abolish in the 1980s)
    - Has capacity to process uneven and increased landings in the 1990s
    - Frozen raw material innovation introduced in the 1990s
    - Auction markets for frozen H&G fish drives landings to the klipfish industry
    - Minimum prices => low differentiation on quality=>Klipfish quality

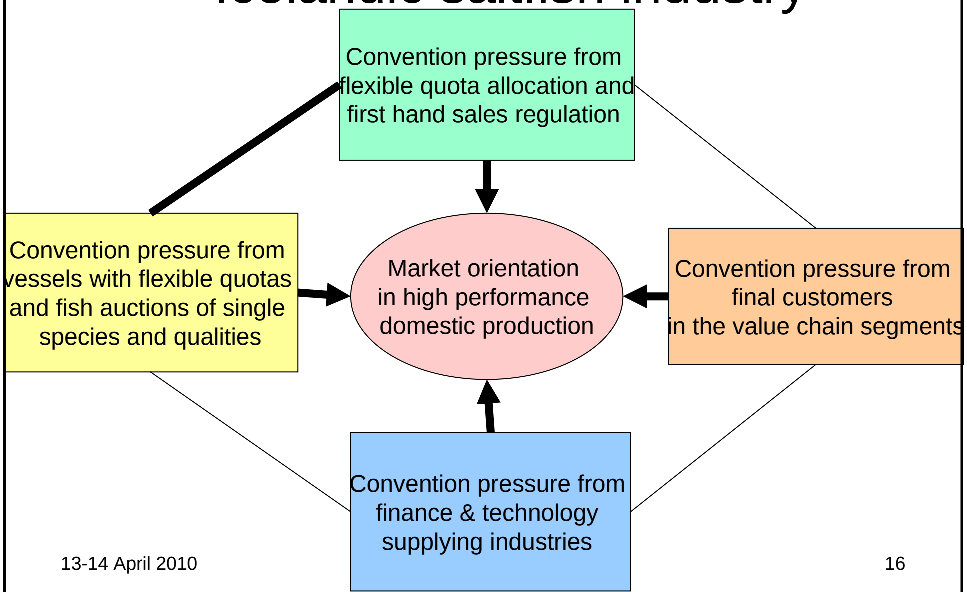
Barriers for market orientation

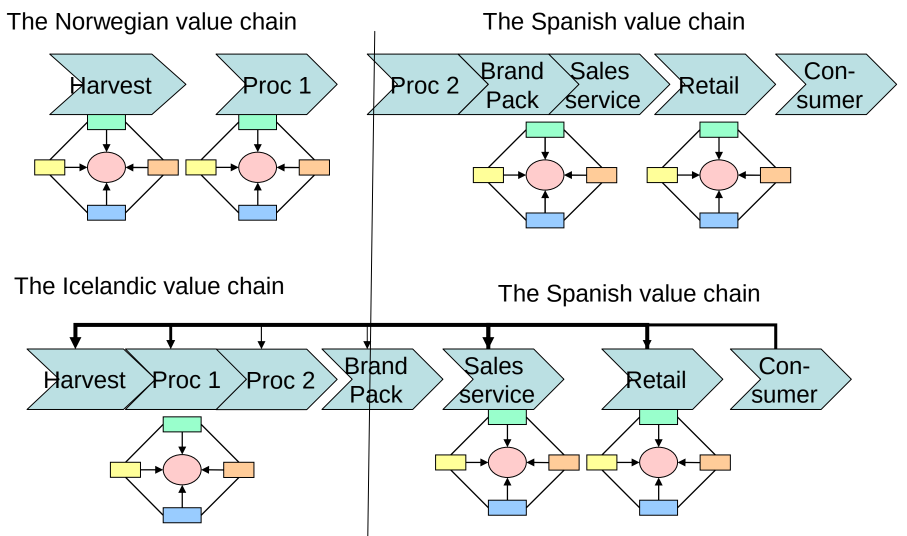
- Barriers for differentiated fresh market conventions
  - Lack of fresh fish auctions
  - Lack of linking fish quotas transferability to fresh market preferences
  - Individual quota allocation without performance claim
      - Increases entry barriers for newcomers and market innovation
  - The added values are gathered by the favoured quota recipients and the banks financing quota purchases.
    - Neither of these groups invest in market oriented product and supply development
- More market oriented production may be motivated
  - Allocation of part of the cod quotas to fish processors focusing of value added fresh products
  - Differentiating the minimum price system
  - Fresh fish actions

Convention pressure in the Norwegian saltfish industry



Convention pressure in the Icelandic saltfish industry





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