

Value chain structure and performance in the salted cod markets

By
Torbjørn Trondsen
Professor in seafood marketing
The Norwegian College of Fishery Science,
University of Tromsø
&
Department of Geography, University of Bergen
www.fishmarketing.com

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Research question

How do differences in the value chains
convention structures influence export
performance?

The Norwegian and Icelandic salted cod case

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Conventions defined

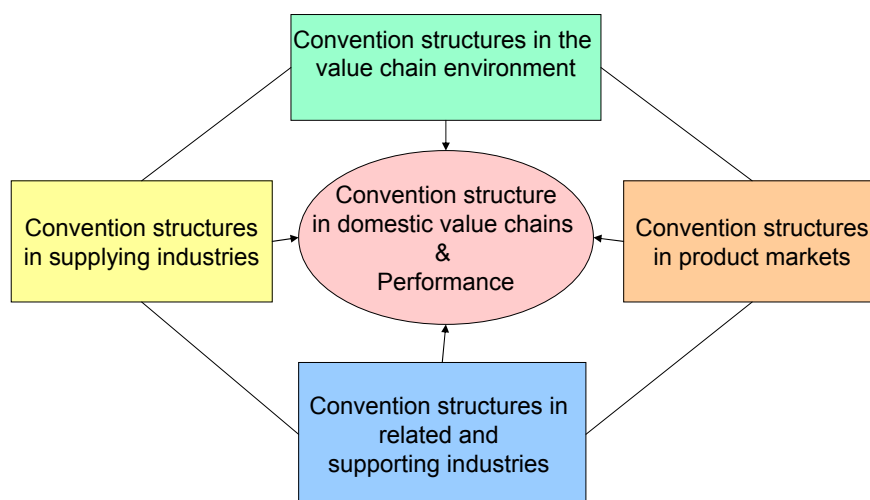
- Beliefs, rules and practices among people in embedded social networks
- Dependent on their interpretation of
 - past experiences
 - competition pressure
 - and opportunities

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Conventions in value chains



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Performance

Export values for cod products to main saltfish markets
(2008 €/kg live weight)

Norwegian export to	Average 2000-08	Icelandic export to	Average 2000-08
1. Italy	2.62	1. France	2.58
2. France	2.41	2. Italy	2.49
3. Brazil	2.26	3. Portugal	2.48
4. Denmark	2.21	4. Other markets	2.17
5. Other markets	2.17	5. Greece	2.14
6. Spain	2.00	6. Spain	2.03
7. Portugal	1.92		
8. Greece	1.89		
Total export	2.12	Total export	2.17

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Performance:

Export of cod product to main saltfish markets (in mill kg)

Norway to	Average 1999-08 (% change from 1990-99)	Iceland to	Average 2000-08 (% change from 1990-99)
1. Portugal	122 (+9%)	1. Spain	54 (+42%)
2. Brazil	20 (-28%)	2. Portugal	34 (+31%)
3. Spain	18 (-21%)		
Other	88 (-46%)	Other	120 (-24%)
World	345 (-24%)	World	251 (-11%)

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Processing and exporting margins

- Iceland trading margins: **16%** (1990s) and **11%** (2000s) higher than Norway
- Norway:
 - regulated minimum landing prices (average **1.85€/kg** in the 2000s)
- Iceland
 - average landing prices **1.73 €/kg** in the 2000s
 - fresh auction (average 17% of landings & **2.16€/kg** in the 2000s)
 - and contract prices for processing market **1.63€/kg** in the 2000s (76% of the auction prices)

Differences in business conventions

Iceland more market oriented

- Marketing diversified products to market preferences. Key strategies:
 - Optimizing product mix by sorting and processing (fresh, salted, frozen)
 - Auction markets sustain competitive pressure from alternative markets and product forms

Norway more production oriented

- Exports raw materials for sorting and processing in other countries. Key strategies:
 - Low cost flexible processing of big volumes according to fish landings
 - Regulated minimum prices sustain supply pressure without price differentiated incentives

Norway: Competitive pressures

- Regulations favours production conventions handling big volumes
 - Low processing and export margins leads to weak motivation for investment in market innovations
- The Klipfish value chain convention dominates
 - Build up under monopoly laws before the 1980s
 - Process capacity for huge seasonal landings
 - Increasingly supplied from raw fish from frozen auction markets : the klipfish industry become independent of locations
- Minimum price system → low quality differentiation → klipfish quality

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Norway: Barriers for market oriented conventions

- Lack of
 - flexibility from fresh fish auctions
 - flexibility in quota transferability linking catch to market preferences & market innovation
- The quota values (resource rents) are collected by the favoured recipients and the banks.
 - Investing in catch efficiency and permit trading rather than market oriented innovations

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Discussion

Norway's low export performance explained by

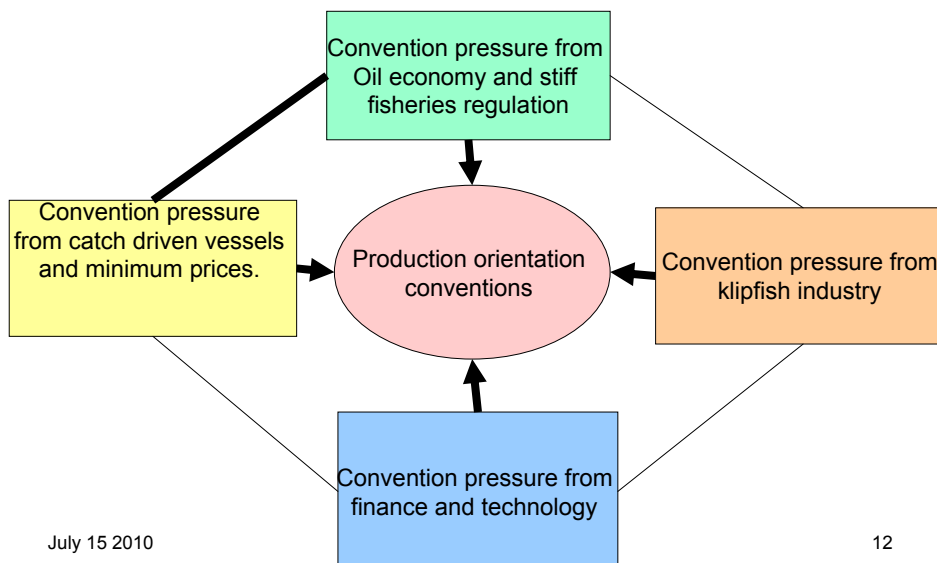
- Fisheries management conventions decreasing motivation for market orientation
 - Concentration in property rights to fewer privileged quota recipients & banks
 - Tapping the industry's equity capital and increases the debt for the reminders.
- An economic and social environment dominated by an oil fuelled economy with full employment

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Convention pressure in the Norwegian saltfish industry



Convention pressure in the Icelandic saltfish industry

