

“SALMAR”

Prices and margins along the European seafood value chain

The introduction and substantial technological progress of the salmon farming industry over the last couple of decades has coincided with major organisational changes within the seafood value chain: more imports are supplying the European markets as a concurrent phenomenon of the decline of the domestic catching sector, more processing is transforming the fish from the producer to the consumer, a greater proportion of fish products is marketed through the big retailing chains, etc.. In comparison to overall seafood consumption, salmon has shown strong growth as measured by retail sales.

Salmon consumption, both smoked and fresh/frozen, has increased, almost doubling in volumes sold. During the same period, retail prices for salmon, measured in 1995 terms, have increased overall, indicating the increased demand for the product.

The EU-funded project **SALMAR** has studied the implications of the expansion of the salmon farming sector on the European seafood supply chain. Several questions have been asked:

- Has the growth in the salmon industry created jobs in the European Union, or simply diverted them from other industries?
- To what degree has this product been substituted for other domestically produced species?
- How has the shift from wild-caught resources to farmed products affected the organisation of the seafood industry?
- How has the value been distributed along the supply chain between the different stakeholders (producers, traders, processors, retailers)?

These key questions have been addressed using various up-to-date economic models and techniques in order to improve the understanding of the behaviour of the European fish markets **along vertical chains**.

Such a vertical perspective raises important issues because the value chain represents an area of interacting markets where a shock on raw materials (i.e. from the depletion of natural stocks, quota reduction, increased levels of fishing effort, innovation on fish farming, ...) may be transmitted to the rest of the industry (processors, wholesalers, fishmongers).

In reaction to this, companies may develop various strategic options to cope with the supply shock (vertical merger, supply agreement, contracts and sub-contracts, ...), resulting in organisational changes within the industry.



ATLANTIC SALMON (SALMO SALAR)

Project acronym:

SALMAR

Full title of Project:

Margins along the European seafood value chain. Impact of the salmon industry on market structures

EU contract number:

QLK5-CT-1999-01346

Web-site:

bonjorn.sc-eco.univ-nantes.fr/~salmar

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“THE DECREASING TREND OF SALMON PRICES THROUGHOUT THE WORLD QUITE CLEARLY REVEALS THE TREMENDOUS OUTPUT LEVEL ACHIEVED BY THE SUPPLIERS”

The information given by prices on markets (variability, trends and cycles, level of gross margins) is very rich for the appraisal of uncertainty and the estimation of the bargaining power on the market (for supply and demand). For instance, the decreasing trend of salmon prices throughout the world quite clearly reveals the tremendous output level achieved by the suppliers due to higher productivity permitted by technological changes and economies of scale. The smooth evolution of prices also gives some insight as to the control over production achieved by salmon breeding, reducing the unexpected shocks on both supply and demand sides. This is not quite so permitted by the harvest of wild species in the case of fishing where seasonal and weather conditions have a much bigger effect on production.

The great variety of case studies (salmon-trout market in Finland, codfish trade between Norway and Portugal, fresh hake in France, smoked salmon in the United Kingdom, etc.) has enhanced the scope of the results and the methodology on an issue poorly debated thus far: **market organisation and price transmission along the seafood chain.**

As a simple conclusion of the whole research, one could admit that **the introduction of farmed**

salmon and globalisation of fishery markets has certainly benefited to the European consumers, but probably not to the extent of the most optimistic expectations due to market imperfections. A detailed report of this project has been published under the title “Prices and margins along the European seafood value chain”. Copies can be ordered through the project web site.



AUCTION ON A FISH MARKET IN BRITTANY (FRANCE). SOURCE: P. GUILLOTREAU/UNIVERSITÉ DE NANTES