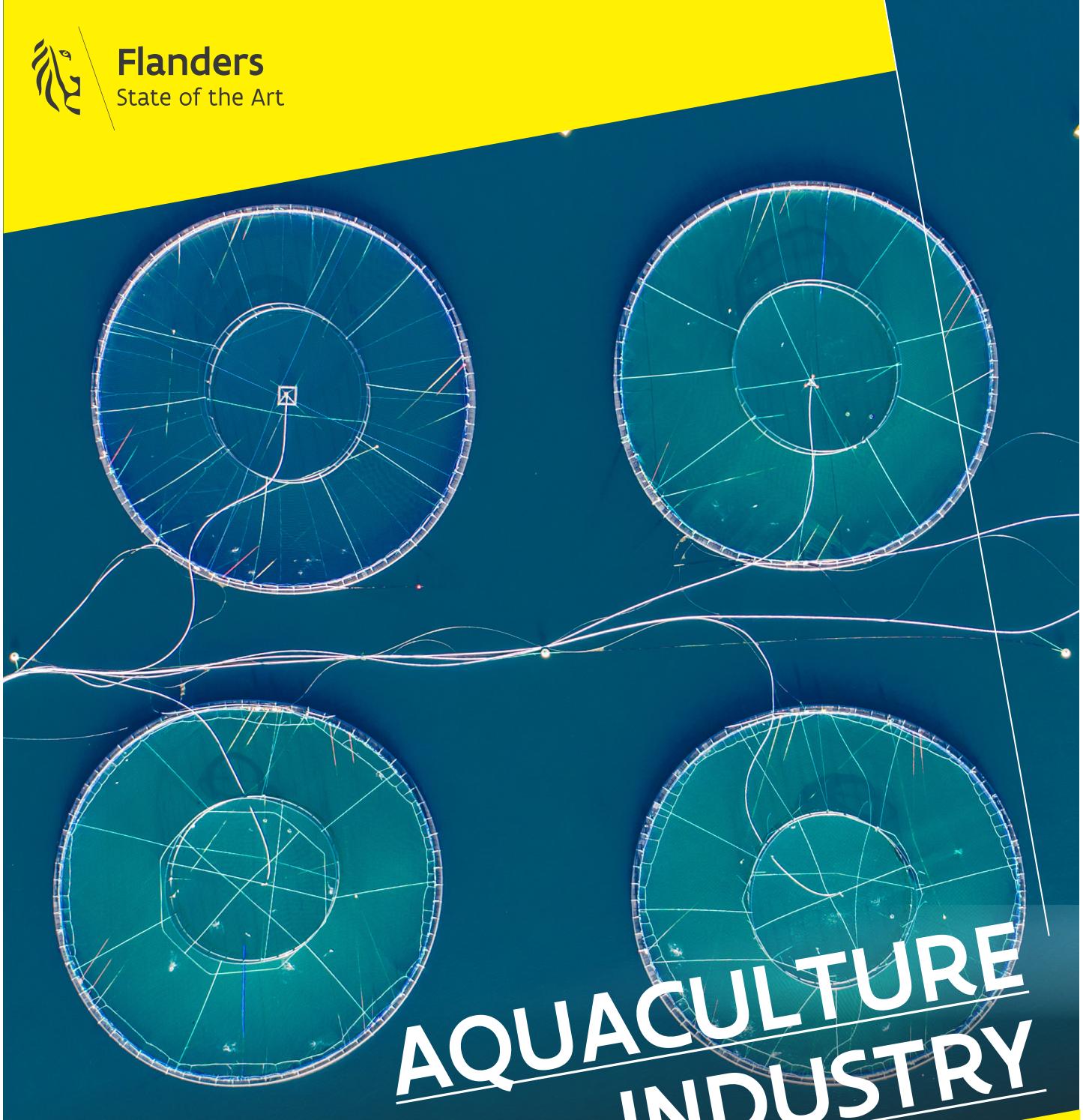




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AQUACULTURE INDUSTRY

IN AUSTRALIA

FLANDERS INVESTMENT & TRADE MARKET SURVEY

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AQUACULTURE INDUSTRY IN

AUSTRALIA

Augustus 2021

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1. EXECUTIVE SUMMARY

Seafood demand in Australia has increased considerably over the last three decades. Currently, Australia's consumer demand for seafood exceeds the supply from domestic production and continues to grow. Domestic aquaculture has the potential to significantly expand to help meet domestic and international demand.

Strong import penetration across the overall domestic fish and seafood market has constrained industry revenue growth over the past five years. Processed imports from countries such as China and Thailand have limited demand for domestic produce from key downstream markets, such as seafood processing establishments and retailers.

Nevertheless, strong demand for premium industry products, such as salmon and abalone, have supported the industry's performance. Consequently overall industry revenue is expected to increase at an annualised 0.9% over the five years through 2020-21, to \$1.7 billion. This trend includes anticipated growth of 7.1% in the current year, as harvests deferred in response to the COVID-19 pandemic are realised.

As salmon accounts for a significant share of the industry's revenue, major players Tassal and Huon Aquaculture have benefited from rising domestic and export demand for salmon by expanding their production capabilities. Other key industry products include tuna, edible oysters, pearl oysters and prawns.

Industry revenue is forecast to increase at an annualised 1.6-2% over the five years through 2025-26, to \$1.9 billion, partly supported by increasing disposable incomes and health consciousness pushing a stronger demand for fish and seafood forecast. In addition, concerns regarding the sustainability of wild-caught seafood are anticipated to push investment in aquaculture production, boosting industry revenue. However, continued pressure from imports are forecast to constrain industry revenue growth.

Key Trends

- ✓ The industry has benefited from strict quotas imposed on wild-caught fish over the past five years
- ✓ Sustainable fishing practices are forecast to become increasingly important
- ✓ A continued rise in health consciousness will support demand for healthier proteins, such as fish and seafood, and it will likely drive increased seafood consumption
- ✓ Intense competition from cheaper imports has placed downward price pressure on many players and strong import competition at the processing level has constrained industry revenue growth

In order to provide a broader understanding of Aquaculture in Australia, this market study includes also a snapshot overview of the Seafood Processing industry, in addition to Seafood Wholesaling and Retailing.

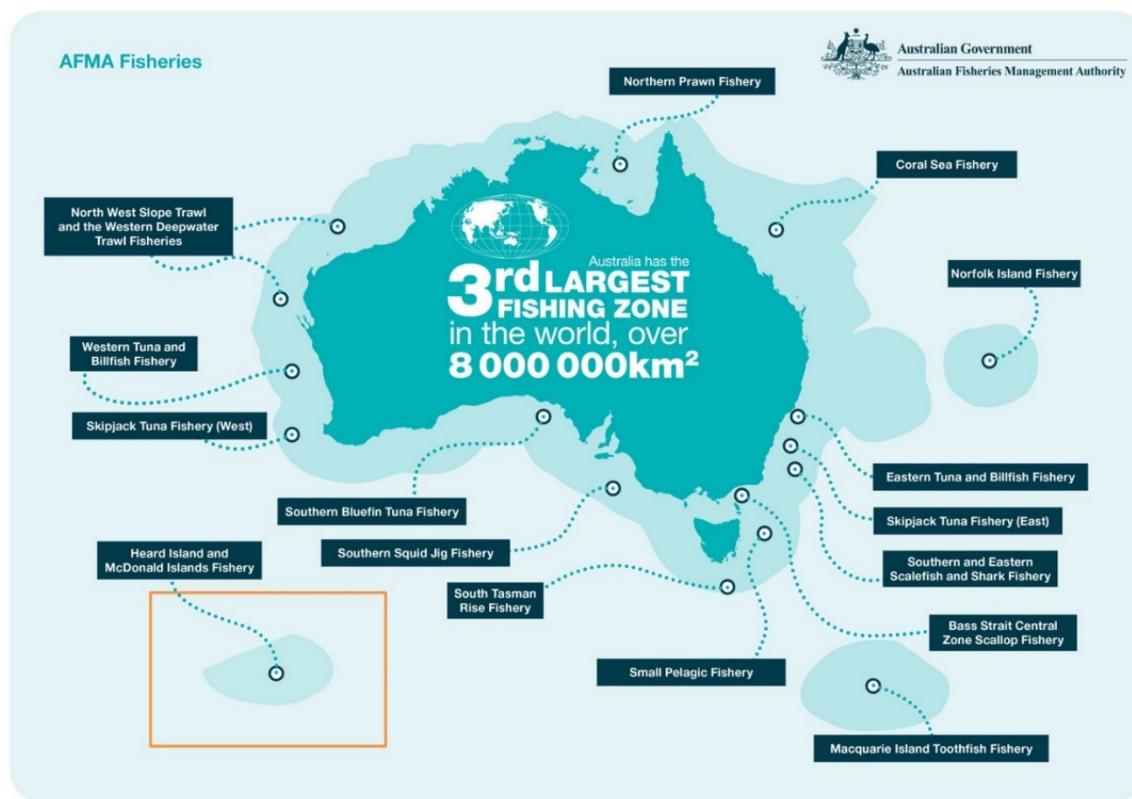


2.AQUACULTURE IN AUSTRALIA

2.1 FOREWORD

Australian aquaculture production began in the 1800s, but initially focused on trout farming and rock lobster cultivation. The industry expanded in the 1980s and 1990s through salmon farming, which was introduced in Tasmania.

Aquaculture production occurs throughout Australia, from the tropical North to the temperate South. The Aquaculture industry is largely based in regional Australia and makes a significant and positive contribution to regional development.



The Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) publish [reports](#) on Australia's fisheries and aquaculture statistics that contain data on the volume and value of production from state, territory and Commonwealth commercial fisheries (both wild catch and aquaculture).

Australia has an international reputation as a producer of safe, sustainable and high quality seafood products. Most of the value of Australian Aquaculture production comes from high value species such as pearls, salmonids, tuna and oysters but there are over forty species commercially produced in Australia.

The Aquaculture industry in Australia includes companies that breed and farm fish, molluscs and crustaceans, with primary activities focusing on offshore farming of molluscs and seaweed using longlines or racks, offshore farming of finfish using cages, and onshore farming of finfish, crustaceans or molluscs in tanks or ponds.

2.2 INDUSTRY CURRENT STATUS

Firms in the Aquaculture industry have faced mixed operating conditions over the past five years. Rising competition from imports throughout the seafood supply chain has constrained demand and prices, limiting industry revenue growth. In addition, economic disruption caused by the COVID-19 pandemic is anticipated to further affect industry demand. Nevertheless, strong demand for premium industry products, such as salmon and abalone, has supported the industry's performance. In addition, the industry's sustainability compared with wild-catch fishing operations has attracted significant investment and enabled the industry's major players to expand their farming operations over the period.

Industry revenue is expected to rise at an annualised 0.9% over the five years through 2020-21, to \$1.7 billion. This trend includes anticipated growth of 7.1% in the current year as industry firms increase their harvests following the initial disruption caused by the COVID-19 pandemic. However, a fall in household discretionary incomes and lower demand from seafood processing firms are expected to limit industry revenue growth in the current year.

The industry has benefited from increasingly strict regulations in the Fishing industry, which limit wild-caught fish volumes. Volatility in wild-caught fish volumes has enabled firms in the Aquaculture industry to benefit from solid demand for seafood, as industry firms can offer a more consistent supply of seafood to downstream markets.

Furthermore, changing consumer preferences have supported retail demand for premium products, such as edible oysters and fresh salmon.

Imported processed fish and seafood supplies a high proportion of the domestic market. Imports in the downstream Seafood Processing industry account for a significant share of domestic demand. Firms in the Aquaculture industry have faced intensifying pressure from overseas aquaculture and wild-caught fishing firms, particularly in China and South-East Asia, which have lower operating costs and can offer lower prices.

The industry's major players have also made significant investment in capacity expansion and advanced technology, with depreciation costs rising as a share of industry revenue over the past five years. Despite an overall decline in industry employment over the period, wage costs have risen as a share of industry revenue as larger companies have needed more highly skilled staff to manage and maintain their expanding operations. Reduced profitability and intensifying competition have caused many small-scale operators to exit the industry.

With regard to the domestic consumption, while fish and seafood prices have increased at a faster rate than prices for other proteins perceived as being healthy (i.e. poultry), consumers have kept seafood in their diets due to its publicized health benefits.

Key Statistics

\$ **\$1.7BN**
REVENUE

Annual Growth 2016–2021
0.9% Annual Growth 2021–2026
2.0%

Annual Growth 2016–2026



₹ **\$137.4M**
PROFIT

Annual Growth 2016–2021
1.9%

Annual Growth 2016–2021



₹ **7.9%**
PROFIT MARGIN

Annual Growth 2016–2021
0.4pp

Annual Growth 2016–2021



⌚ **1,030**
BUSINESSES

Annual Growth 2016–2021
-2.2% Annual Growth 2021–2026
-1.1%

Annual Growth 2016–2026



Source: IBISWorld, September 2020



Moreover, consumers are increasingly demanding premium products such as edible oysters and Atlantic salmon, boosting the domestic price of fish and other seafood. On the contrary retail seafood prices have grown at a slower rate than beef prices over the past five years, further supporting seafood consumption.

The local Aquaculture industry has expanded also due to declines in Australia's ocean fish and seafood stocks. According to the Australian Bureau of Agricultural and Resource Economics and Sciences, Australian wild-catch fisheries production peaked at just under 240,000 tonnes in 2004-05 and has remained well below that volume since. This trend has limited growth opportunities for the domestic Fishing industry, while it has boosted Aquaculture.

2.2.1 Australian aquaculture fish and seafood types

Marine finfish

The marine finfish industry is an inshore and offshore sea cage-farming sector, which primarily operates in South Australia and Tasmania with some farms in other States. The principal species grown are Southern bluefin tuna, Atlantic salmon, yellowtail kingfish, mulloway and barramundi. Operations typically involve pre-dawn loading of vessels and delivering feed to the sea cages.

The aquaculture component of the Australian tuna sector involves the culturing of tuna in offshore sea pontoons. Before dawn, feed is loaded on modified fishing boats that travel to the sea pontoons, which can be up to 25 km out at sea. Feeding, maintenance and harvesting operations are performed, as well as monitoring the fish, and undertaking environmental activities that comply with the license conditions.

The Australian Atlantic salmon industry is based in Tasmania. This sector involves the collection of broodstock and production of fingerlings for grow out in sea cages, which are located in offshore and inshore waters. A specialist fleet of vessels performs feeding and harvesting operations at sea.

Freshwater fish

There are many small to medium freshwater fish farms throughout Australia, growing a wide range of species including Murray cod, silver perch, jade perch and eels. Systems vary from intensive tank rearing systems to automatic systems to pond and dam systems.

Crustaceans

The Australian prawn farming industry is largely based in the tropical zones of Queensland. Prawns are farmed in large-scale pond operations, which operate round the clock and every day of the year. The farms generally have their own hatchery and the whole operation involves hatching, growing, harvesting and processing in an integrated continual process operation. The Australian prawn farming industry now produces over 4,000 tonnes of product annually and, while the Australian industry is one of the smaller volumetric producers in the world, it leads the world in productivity with an average yield of more than 4,500 kilograms per hectare.

There are many small land-based crustacean farms in Australia. Yabbies are most common and are typically an incidental aquaculture operation to general land-based farming. Red claw farms are also scattered throughout Australia but mostly in Queensland and New South Wales. Marron farms operate mainly in Western Australia and South Australia and tend to be larger scale pond operations.

Shellfish

Land-based abalone farms largely operate intensive grow out systems, which are most often based around raceway technologies. While a majority of farms have integrated hatchery and grow-out operations, some rely on purchasing spat from dedicated hatcheries. Broodstock is regularly collected from the wild through diving operations and forms the basis of the hatchery operations and genetic diversity.



Most land based abalone farms are 24-hour operations involving continuous monitoring of the water systems and the stock. Any interruption to the water supply and water temperature can be catastrophic with large-scale losses.

Two types of marine / sea-based abalone systems include sea cage technology and a special converted grow out vessel. Broodstock is sourced from the wild and juvenile abalone grown in hatchery complexes. The stock is then transferred to special sea cages with unique grow out plates and the stock is managed and harvested on a continuous basis by groups of commercial divers.

The mussel industry is widespread throughout Australia with large-scale operations in Tasmania, South Australia and Victoria. Marine rope systems are used to grow the mussels. As mussels are filter feeders, farms rely upon natural feed including algae, detritus and bacteria, rather than artificial diets or pellets. Harvesting involves the operation of specialised mussel –stripping machinery on purpose-built vessels.

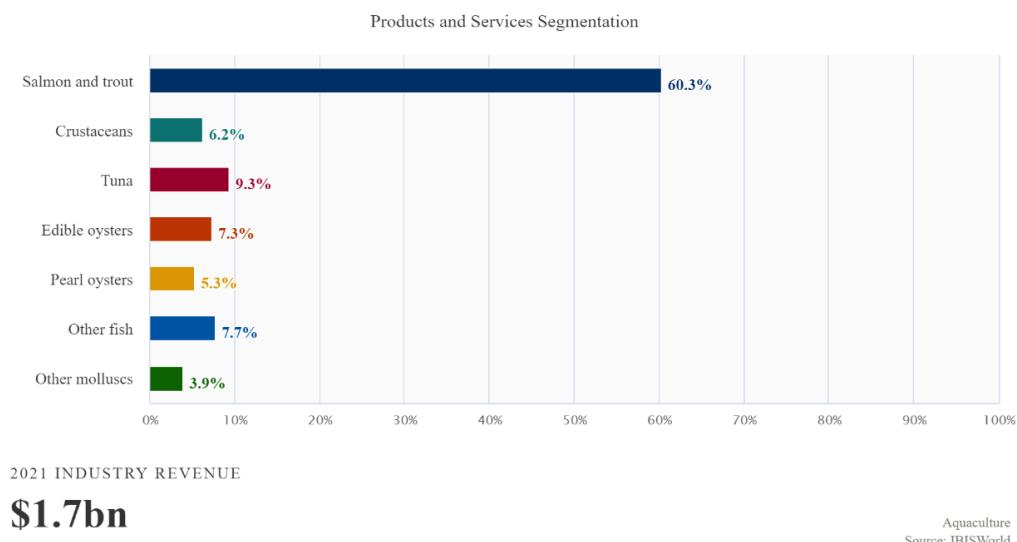
The Pacific oyster industry mostly operates in Tasmania, South Australia, Victoria and New South Wales. The industry is a marine based industry (apart from the hatchery complexes) with most farms accessed by commercial vessels which are used to maintain the grow out sites and harvest the oysters.

The Australian pearl industry is based on the *Pinctada maxima* pearl oyster species. Since the mid-1950s the industry has focused on the production of cultured pearls. The first stage of culturing pearls requires fishing for wildstock pearl oysters, which are then used to manufacture cultured pearls through an aquaculture process. Western Australia is the main pearl-producing state.

Sydney rock oysters industry operates in New South Wales, Queensland, Victoria and Western Australia and farms a single oyster species (*Saccostrea Glomerata*) in a number of estuarine and ocean settings. Operations involve small vessels engaging in daily trips to the oyster beds for checking, sorting, grading and harvesting the oysters.

2.2.2 Products segmentation

Operators in the Aquaculture industry farm three types of produce in Australia: fish, crustaceans and molluscs. Fish production accounts for most industry revenue and has increased rapidly over the past five years. This increase is largely due to the growing popularity of salmon among Australian consumers.



Salmon and trout account for the largest share of industry revenue. Australian salmon farming commenced in the mid-1980s, and over 95% of production occurs in Tasmania. Successful marketing campaigns promoting salmon's health benefits, and improvements in farming technology and processes have boosted the value of salmon. Consequently, this segment has grown as a proportion of industry revenue over the period.

Tuna represents the industry's second largest product segment. All fish in this entire segment are farmed in South Australia, which has optimal growing conditions for southern bluefin tuna. Firms commonly sell tuna to downstream seafood processors for use in tinned products, but also onsell tuna to export markets. This segment has declined as a proportion of industry revenue over the past five years due to stronger demand growth for salmon and trout.

Edible oysters are also a significant product segment. Consumers often perceive edible oysters as being a gourmet product that typically commands a premium. Demand for edible oysters has been strong over the past five years. However, this segment has declined as a share of industry revenue over the period due to falling volumes in South Australia. South Australian oyster farmers source the oyster spat or seed from Tasmania, where an outbreak of Pacific Oyster Mortality Syndrome occurred in February 2016, reducing the spat population. In January 2019, the SA Government announced that the state's oyster farmers now exclusively relied on spat produced in South Australia.

The **crustaceans** segment includes prawns, yabbies, marron, red claw crayfish and other species. Prawns account for a substantial share of this product segment. Most of Australia's aquaculture prawn production occurs in Queensland, with the remainder in New South Wales. Demand for prawns farmed by the industry has declined over the past five years due to strong import competition.

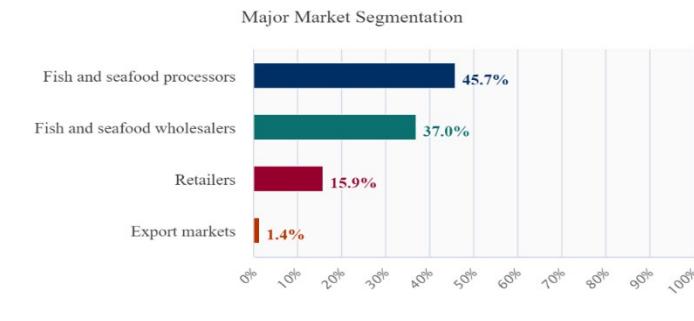
Farmed **pearl oysters** produce valuable pearls used in consumer products such as jewellery. A large proportion of pearl oyster farming occurs in Western Australia. This segment has declined as a share of industry revenue.

The **other fishes** segment includes barramundi, eel, silver perch and others. Despite strong growth in barramundi production, this segment has declined slightly as a share of industry revenue.

The niche **other molluscs** segment, that includes abalone and blue mussels, continues to account for a small share of industry revenue due to the greater popularity of other aquaculture products.

2.2.3 Markets segmentation

Australia's aquaculture production has three major domestic distribution channels: seafood processors, seafood wholesalers and retail markets. The industry also exports to overseas markets.



Fish and seafood processors represent the industry's largest market. A significant proportion of products needs some form of processing before being sold to consumers. Seafood processors clean, gut and fillet fish, and prepare molluscs and crustaceans for consumers. Processing can also include canning, drying, freezing or partially boiling. Because of strong price competition at the retail level, along with intensifying import competition, this market has declined slightly as a share of industry revenue over the period.

Fish and seafood wholesalers purchase products that have not been processed to onsell to a range of downstream customers including retailers and food-service establishments. The major supermarket chains Coles and Woolworths have increasingly purchased unprocessed aquaculture produce directly from industry firms in a bid to boost margins by cutting out wholesalers. Consequently, this market has declined as a share of industry revenue over the period.

The **retailers** market includes sales made directly to supermarkets, fishmongers, grocery stores, fish markets and other local retailers. This segment also includes fish and other seafood sold directly to the public from company-owned stores typically located near aquaculture operations. Similar to wholesalers, only untransformed fish, mollusc and crustacean products are sold directly to retail markets.

Export markets account for a small share of industry revenue. Overseas buyers typically prefer to purchase wild-caught fish and seafood, due to perceptions of its higher quality. Nevertheless, industry players have increased their marketing efforts to promote their products' quality and sustainability in export markets, such as Japan. As a result, export markets have increased as a share of industry revenue.

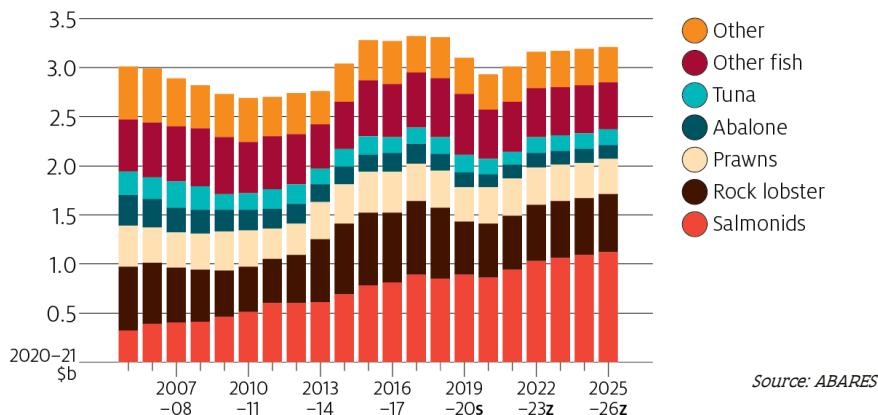
2.3 INDUSTRY OUTLOOK

2.3.1 Impact of COVID-19

As indicated in the previous sections, revenue for the industry is expected to increase by 7.1% in 2020-21, following a decline of 8.2% in 2019-20. This trend can largely be attributed to industry operators deferring their harvests at the end of 2019-20 in response to the economic disruption caused by the pandemic. Imposed public health restrictions on movement and gatherings have affected the industry's downstream markets. Restricted restaurant trade has meant that more industry produce has gone directly to retailers, particularly the major supermarkets, as more consumers prepare meals at home. The COVID-19 pandemic is anticipated to negatively affect industry profitability over next year as deteriorating economic conditions place downward pressure on seafood prices.

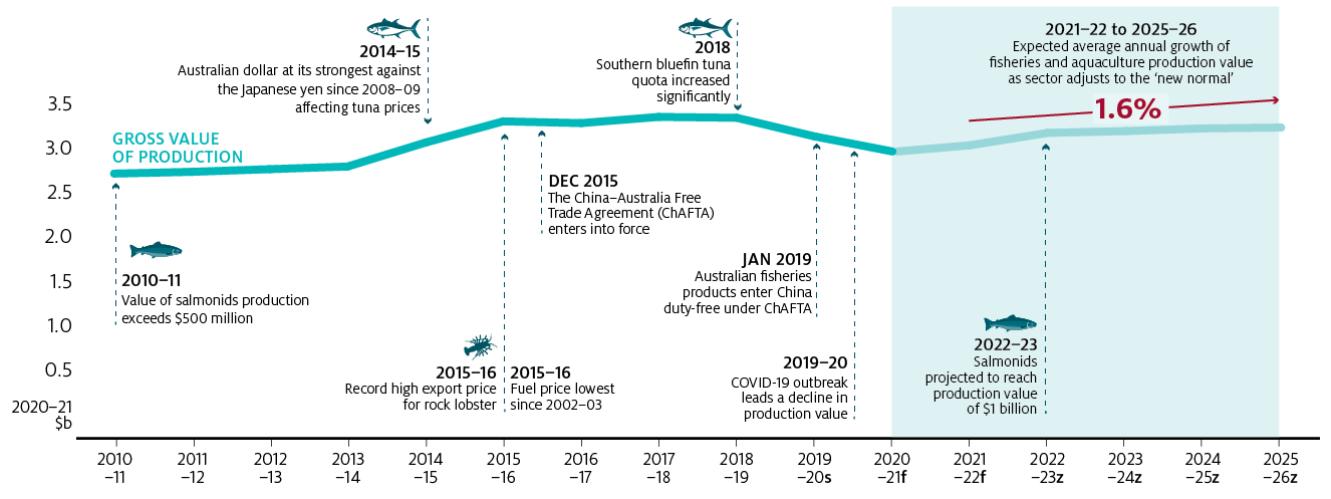
2.3.2 Australian fisheries and aquaculture production

Because of the above-mentioned COVID-19 impact (both demand-side and supply-side disruptions), the value of fisheries and aquaculture production is not expected to return to pre-2019–20 levels soon.



2.3.3 Industry revenue

Industry revenue is forecast to increase at an annualised 1.6-2% over the five years through 2025-26, to \$1.9 billion. While seafood consumption in Australia is anticipated to increase only modestly, the Aquaculture industry will likely benefit from its higher sustainability due to declining wild fish stocks. Consumers and downstream markets are forecast to increasingly purchase farmed fish as wild-catch operations increasingly focus on high-value products destined for export markets. However according to the Australian Bureau of Agricultural and Resource Economics and Sciences, because of disruptions to domestic and international market conditions, measures to address the spread of COVID-19 and changing consumer demands, the projections over the medium term (2021-22 to 2025-26) are highly uncertain, and due to these factors, it is expected that production values will remain below pre COVID-19 levels.



Source: ABARES

Moreover, continued pressures from imports, particularly in the downstream Seafood Processing industry, are projected to limit demand from downstream markets and constrain Aquaculture industry revenue growth. Most local operators are sole proprietors or employ fewer than 20 staff members, and so they can't compete on price with imports from firms in countries with lower production costs.

As global demand for seafood increases, Australian companies will have more opportunities to expand their export markets. Furthermore, the Australian dollar is anticipated to remain weak over the next five years, helping to keep industry exports competitive in global markets.

However, much of this export activity is anticipated to take place at the processing level, as export markets continue favouring unprocessed wild-caught fish due to its perceived higher quality.

2.3.4 Technological disruption

Although the Aquaculture industry generally exhibits moderate technological change, technology disruption has significantly improved farming efficiencies and boosted output over the past five years. Establishments involved in seafood farming use a range of methods to improve product quality: technological advances in feed production and nutrition, genetic improvement of culture species and improvements in husbandry practices, disease control, planning and operation have enabled significant increases in quality and productivity for Australian aquaculture firms.

Moreover technological developments that support husbandry practices, such as breeding fish in captivity, will likely increase efficiency, production and quality.

In 2015, Huon Aquaculture developed new fish pens using Kevlar-like material, termed Fortress Pens, that are better able to survive offshore weather conditions and more effective at keeping out seals.

In addition, both Huon and Tassal have used advances in Wi-Fi technology to remotely feed their fish and monitor them in real-time. This technology helps ensure all fish get fed properly and allows these companies to more easily detect and respond to threats of stress and disease. As a result, these players are benefitting from a competitive edge over the Fishing industry.

Another key area of local industry research is fish feed, as by reducing the amount of feed required to farm fish, producers can increase their productivity, reduce their costs and increase their profit margins. The CSIRO (the Commonwealth Scientific and Industrial Research Organisation is the Australian Government agency responsible for scientific research) is working with the industry to develop new technologies, such as fish feed made from low-value plant waste (prawn feed called Novacq).

Geographic information system technology is also being used in planning aquaculture developments. This technology measures data relating to land elevation, proximity to water, temperature range, rainfall and soil type, and these data enable better assessment of potential sites for farms, which minimises risks for new establishments.

2.3.5 Industry regulations

The Aquaculture industry is heavily regulated, and this trend has remained steady over the past five years. As the Aquaculture industry operates across numerous segments, companies are affected by regulatory issues in different ways, as they are primarily governed by the authorities of the states and territories in which they operate. However, the Federal Government has implemented parliamentary acts that address national issues, such as sustainability, overfishing, biodiversity and export controls.

State and territory governments are generally responsible for issuing the licences, permits and quotas required for aquaculture, and they require annual reports on adherence to regulatory conditions and environmental monitoring programs. State legislation and regulations cover the environment, water supply and wastewater, and prevent uncontrolled or extensive development. These restrictions are designed to control disease and limit adverse environmental effects.

A lack of cohesion among the states with regards to aquaculture regulations affects industry activity by making it difficult for operators to establish farms in multiple states. This lack of cohesion has also created issues surrounding the regulation of Commonwealth fisheries, where the majority of Southern bluefin tuna are caught, and the interaction with state-regulated aquaculture activities, where most Southern bluefin tuna is grown.

However, the Federal Government has committed to start deregulating the market to boost profitability in the industry.

The Australian Aquaculture Forum has developed a national code of conduct, The voluntary Australian Aquaculture Code of Conduct promoting guidelines that can ensure compliance with regulations.

2.4 COMPETITIVE AREA

The Aquaculture industry exhibits moderate market share concentration, with the four largest players accounting for over 40% of industry revenue in 2020-21. The industry has become more concentrated over the past five years. The major players have outperformed the industry and have gained market share by expanding production.



Outside of the major players, the industry is highly fragmented and diverse, containing many small, individual businesses. Although market share concentration is rising, most industry establishments operate on a smaller scale. According to the Australian Bureau of Statistics, over 55% of industry participants were owner-operators in 2018-19 (latest available data). Furthermore, approximately 30% of industry businesses generate less than \$50,000 in revenue annually.

More information about Aquaculture industry players and industry associations is available upon request. Please contact melbourne@fitagency.com



3. SEAFOOD PROCESSING

3.1 INDUSTRY CURRENT STATUS AND OUTLOOK

International trade has become increasingly important in the Seafood Processing industry over the past five years as seafood imports have grown over the period, increasing competition for the industry. Importers in China and South-East Asia have significantly lower operating costs than local firms and are therefore more competitive in the domestic market. This factor has encouraged downstream operators, such as supermarkets, to purchase larger amounts of imported seafood. However, growing demand for high-value Australian food products in Asian markets has assisted larger firms and limited the negative effects of weaker domestic demand. In particular, China, Hong Kong and Japan are key export markets. Overall, industry revenue is expected to decline at an annualised 2.7% over the five years through 2020-21, to \$940.9 million.

The industry has also been affected by the COVID-19 pandemic, but operations have not been significantly disrupted. Industry revenue declined in 2019-20, as trade disruption caused export earnings to fall. In addition, weaker demand from food-service establishments put pressure on seafood processors. However, demand from supermarkets experienced a boost during periods of consumer stockpiling in March and April 2020. While the COVID-19 pandemic continues putting downwards pressure on demand, industry revenue is expected to increase by 4.9% in 2020-21. In addition, seafood consumption and prices are projected to rise in the current year, providing another boost to processors.

Industry operators are projected to increasingly target export markets as imports continue to account for a large share of domestic demand. Industry revenue is forecast to rise at an annualised 0.7% over the five years through 2025-26, to total \$975.3 million.

3.1.1 Industry innovation

Export opportunities and import competition are projected to spur significant innovation in the industry. Capital intensity is anticipated to increase further as large-scale seafood processors adopt automated production processes. Several seafood producers are also likely to invest in new infrastructure to improve product quality and quantity. For example, the ongoing development of seafood storage facilities near Australian airports has enabled seafood to be transported live to export markets. Tuna processors are also anticipated to continue developing advanced freezing and transport technologies to maximise export opportunities in Japan.

However, some seafood processors are likely to encounter significant obstacles when attempting to expand: in particular, regulations aimed at increasing the sustainability of salmonid aquaculture is forecast to limit expansion opportunities.

Key Statistics

\$940.9M
REVENUE

Annual Growth 2016–2021
-2.7% Annual Growth 2021–2026
0.7%

Annual Growth 2016–2026

\$23.5M
PROFIT

Annual Growth 2016–2021
-6.8% Annual Growth 2016–2021

2.5%
PROFIT MARGIN

Annual Growth 2016–2021
-0.6pp Annual Growth 2016–2021

214
BUSINESSES

Annual Growth 2016–2021
-1.0% Annual Growth 2021–2026
-0.6%

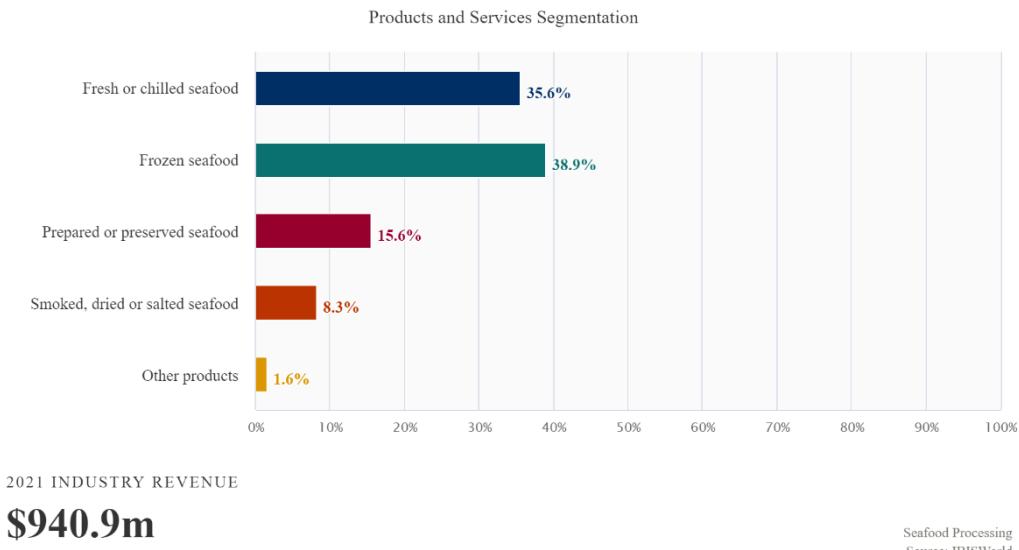
Annual Growth 2016–2026

Source: IBISWorld, April 2021

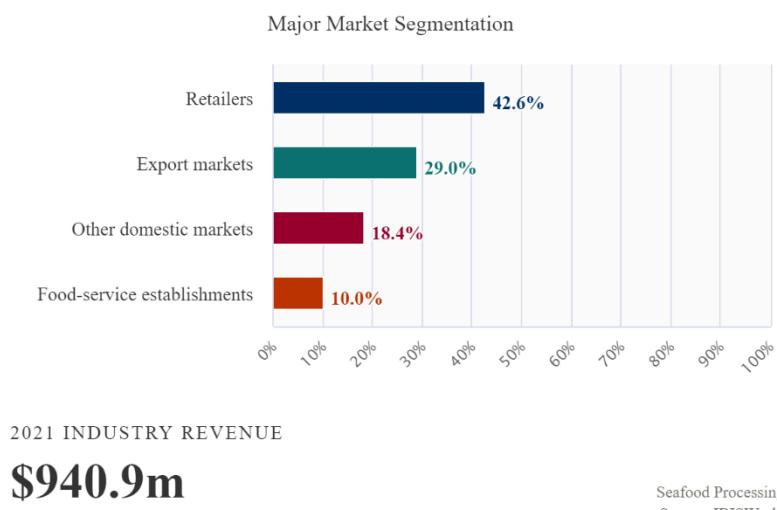


3.1.2 Products and markets segmentation

Products are split according to preparation method: industry segments include fresh or chilled seafood, frozen seafood, prepared or preserved seafood, dried, salted or smoked seafood and other products. Revenue derived from the various segments is not proportional to the volume sold, due to differences in seafood prices and value added.



Domestically, supermarkets, food-service establishments and wholesalers account for the largest shares of revenue. The industry also generates just under 30% of its revenue through export markets. The industry's major markets are divided based on the proportion of revenue generated by each segment.



3.2 COMPETITIVE ARENA

The Seafood Processing industry displays high market share concentration, with the top four players expected to account for over 70% of industry revenue. The industry's largest operators are large and vertically integrated organisations that have extensive farming and processing facilities. As several major players have outperformed the industry over the past five years, market share concentration has risen. Furthermore, the industry has several large to medium-size operators.

The remainder of the industry largely consists of small to medium-size operators that do not have the scope or scale to compete with the major players. According to the Australian Bureau of Statistics, more than 80% of operators are sole proprietors or employ fewer than 20 staff.

Smaller processors, and those in the niche smoked or dried segment, do not have the incentive to increase in operating size, preferring to specialise and export to lucrative foreign markets.

More information about the main Seafood Processing industry players is available upon request.

Please contact melbourne@fitagency.com



4. SEAFOOD WHOLESALING

4.1 INDUSTRY CURRENT STATUS AND OUTLOOK

Firms in the Fish and Seafood Wholesaling industry have faced a challenging operating environment over the past five years. Demand for wholesale services from supermarkets, which are key downstream customers, has declined due to wholesale bypass. The major supermarkets, Coles and Woolworths and ALDI, are increasingly purchasing seafood directly from vertically integrated fish and seafood operators to gain greater control over their supply chains and reduce costs. In addition, the COVID-19 pandemic has disrupted industry supply chains and negatively affected downstream demand from the food-service sector, as public health restrictions have limited movement and gatherings. These trends have constrained the industry's performance over the past five years. Industry revenue is expected to fall at an annualised 2.3% over the five years through 2020-21, to \$4.3 billion. This trend includes anticipated growth of 0.7% in the current year, as the industry adapts to disruption caused by the COVID-19 pandemic.

Domestic fish and seafood prices have been driven up by falling wild fish stocks. However, wholesalers generally have difficulty passing on price increases to their customers, such as fishmongers, as these customers demand low prices to compete with supermarkets. In addition, cheaper imports of fish and seafood have placed downward price pressure on industry operators. Consequently, industry-wide profitability has declined.

Increased competition and reduced profitability have caused several players to exit the industry, with enterprise numbers declining over the past five years.

Industry revenue is projected to rise over the next five years as economic conditions gradually recover from the COVID-19 pandemic. Seafood consumption is forecast to increase due to rising health consciousness and disposable incomes. However, falling fish and seafood catchment quotas and rising export demand are anticipated to place pressure on domestic fish and seafood supplies.

While this trend will likely reduce sales volumes, prices are forecast to rise on the back of these supply issues, offsetting the decline in volumes. Nevertheless, ongoing wholesale bypass trends are projected to continue constraining industry revenue over the next five years. Industry revenue is forecast to rise at an annualised 1.6% over the five years through 2025-26, to \$4.6 billion.

Key Statistics

 **\$4.3BN**
REVENUE

Annual Growth 2016–2021
-2.3% Annual Growth 2021–2026
1.6%

Annual Growth 2016–2026



 **\$89.3M**
PROFIT

Annual Growth 2016–2021
-7.7% Annual Growth 2021–2026

Annual Growth 2016–2021



 **2.1%**
PROFIT MARGIN

Annual Growth 2016–2021
-0.7pp Annual Growth 2021–2026

Annual Growth 2016–2021



 **834**
BUSINESSES

Annual Growth 2016–2021
-0.4% Annual Growth 2021–2026
-0.1%

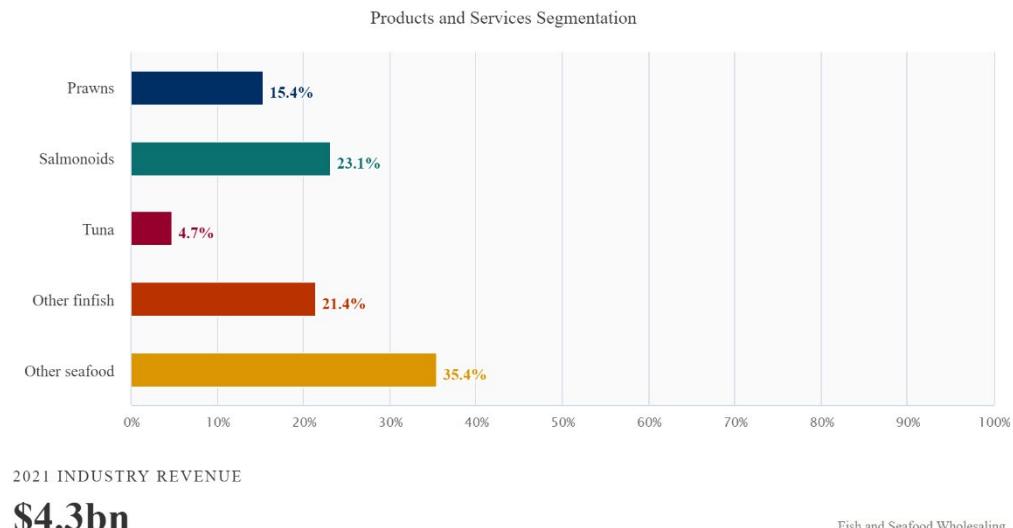
Annual Growth 2016–2026



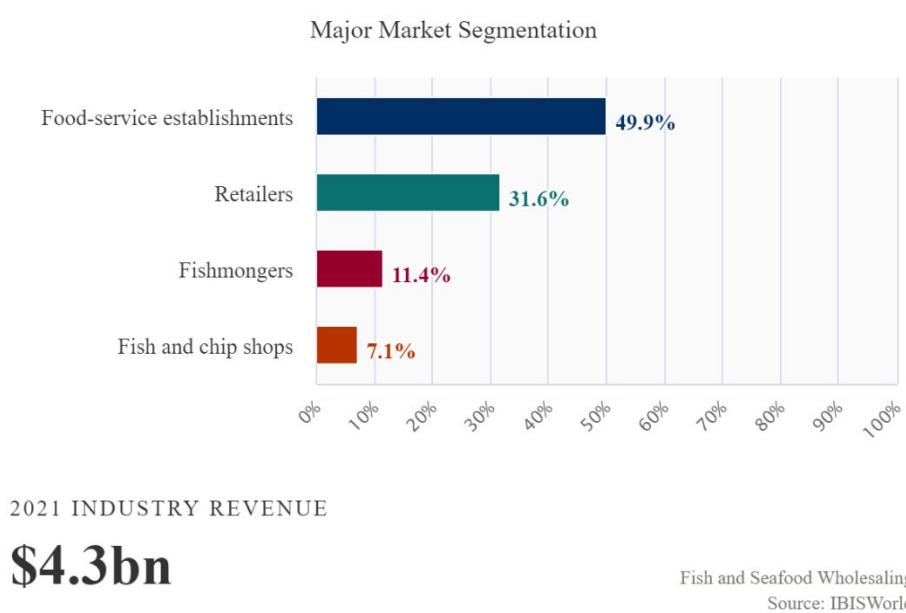
Source: IBISWorld, March 2021

4.1.1 Products and markets segmentation

Industry wholesalers purchase and sell different species of fish and seafood in various forms, including fresh, frozen and filleted. The industry's products are divided based on the proportion of revenue that each segment generates.



Operators in the Fish and Seafood Wholesaling industry sell produce to markets that onsell fish and seafood products to final consumers.



4.2 COMPETITIVE AREA

Market share concentration in the Fish and Seafood Wholesaling industry is low, with the four largest firms accounting for significantly less than 40% of industry revenue in the current year. The industry is highly fragmented, with no player commanding significant market share.



Larger firms that wholesale industry products typically have diversified product ranges and wholesaling makes up a small portion of their total revenue. Over 90% of industry firms employ fewer than 20 staff or are sole proprietors. Industry concentration has remained largely stable over the past five years.

Despite the industry's high fragmentation, some firms still generate considerable revenue. According to the Australian Bureau of Statistics, over 30% of industry firms generated \$2 million or more in revenue in 2018-19 (latest available data). This trend can be attributed to high purchase costs of wholesale goods that are then sold at higher prices, contributing to high revenue figures. However, profit margins remain modest across the industry due to the limited value added to products by wholesalers.

More information about the main Seafood Wholesaling industry players is available upon request.
Please contact melbourne@fitagency.com



5. SEAFOOD RETAILING

5.1 INDUSTRY CURRENT STATUS AND OUTLOOK

Operators in the Seafood Retailing industry have benefited from rising seafood consumption over the past five years. Increasing health consciousness has encouraged Australians to incorporate more fresh fish into their diets. Consumers have also purchased an increasing amount of high-value fresh seafood options. Despite rising demand for fresh seafood products, industry revenue is expected to fall at an annualised 0.1% over the five years through 2020-21, to \$935.9 million. This includes an anticipated decline of 0.5% in the current year, resulting from the effects of the COVID-19 pandemic.

Competition from the major supermarkets has intensified, limiting the industry's expansion. The dominance of Coles and Woolworths gives them significant negotiating power when dealing with suppliers. This allows the supermarkets to place downward price pressure on suppliers and offer consumers lower seafood prices. Increasing amounts of low-cost imported seafood at the processing level have also contributed to falling prices in supermarkets. However, seafood retailers have benefited from consumers broadening their shopping habits by purchasing fresh, local, sustainable, high-value seafood products that are not often found in supermarkets.

Health consciousness is anticipated to continue rising over the next five years, encouraging consumers to purchase seafood. Consumer demand for premium seafood, such as oysters, is forecast to increase, supporting industry revenue.

Fish and seafood prices are also projected to grow at a faster pace than the prices of substitute sources of protein. In addition, competition from Coles and Woolworths is anticipated to intensify over the period, as the major supermarkets continue to expand their fish and seafood offerings. As a result, industry revenue is forecast to grow at an annualised 1.0% over the five years through 2025-26, to \$984.2 million.

5.1.1 Seafood consumption vs catchment quotas

Per capita seafood consumption is anticipated to grow marginally, as Australia's fish and seafood catchment quotas are forecast to be gradually reduced to conserve the marine ecosystem. Therefore, industry players are likely to rely on sustainable farmed fish from the Aquaculture industry to offset supply problems. Limited local supply of wild-caught fish is anticipated to contribute to higher domestic fish and other seafood prices. To overcome supply issues, local fishing operators are required to secure additional fishing permits to increase the quantity of fish and other seafood. However, the Australian Fisheries Management Authority is not likely to issue any new permits over the next five years. As a result, the available quantity of Australian wild-caught fish will be limited over the period.

Key Statistics

 **\$935.9M**
REVENUE

Annual Growth 2016–2021
-0.2%

Annual Growth 2021–2026
1.0%

Annual Growth 2016–2026



 **\$24.3M**
PROFIT

Annual Growth 2016–2021
-5.9%

Annual Growth 2016–2021



 **2.6%**
PROFIT MARGIN

Annual Growth 2016–2021
-0.9pp

Annual Growth 2016–2021



 **1,149**
BUSINESSES

Annual Growth 2016–2021
0.3%

Annual Growth 2021–2026
0.2%

Annual Growth 2016–2026

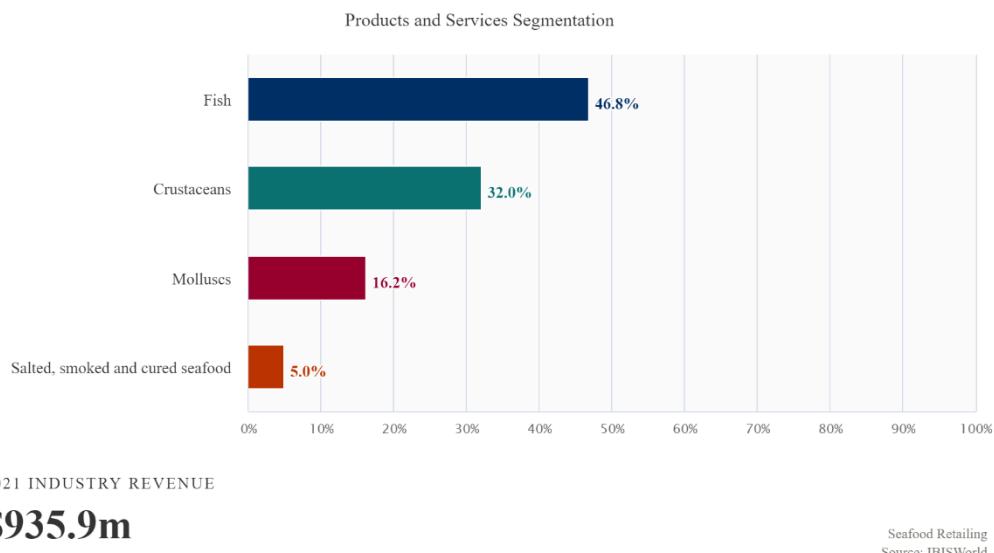


Source: IBISWorld, March 2021



5.1.2 Products and markets segmentation

The Seafood Retailing industry sells a variety of fish and other seafood products that can be segmented into fish, crustaceans, molluscs and salted, smoked and cured seafood, although there are different species in each category. Each segment's size represents its contribution to industry revenue.



While some seafood meal providers, such as restaurants and fish and chip shops, may occasionally purchase items from industry operators, the bulk of demand overwhelmingly comes from households.

5.1.3 Competitive arena

The Seafood Retailing industry exhibits low market share concentration. No individual business commands a significant share of the industry. The industry is highly fragmented and is made up of many small-scale owner-operator enterprises. The benefits of increasing scale and opening new stores are minor and most operators tend to focus on maximising the performance of individual stores.

Concentration has remained largely unchanged over the past five years as large-scale vertically integrated wholesalers have not expanded retail operations significantly and the industry is still generally made up of small-scale players.



6. SOURCES

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