

Economic review

of the seafood industry

Welcome to the fourth edition of Seafood New Zealand's economic review. This edition provides a full year's worth of data for 2012. The review is intended to provide readers with a quarterly update of what's happening in the seafood industry balanced with some general information about the economy. We hope you find the content useful, interesting and informative. We welcome your feedback and suggestions, please email: info@seafood.co.nz

IN THIS EDITION

- In New Zealand, seafood was the only main export commodity to grow from 2011 to 2012. Seafood exports in 2012 reached a record high of NZ\$1.57 billion.
- Internationally, overall supply during 2012 ended 1.3 percent higher compared with 2011, reaching 158 million tonnes, thanks to continued growth in aquaculture production.

THE ECONOMY

Concerns about global conditions have receded somewhat in recent months. The combination of more positive global sentiment, despite continued concerns about southern Europe, improved domestic economic indicators and New Zealand's higher interest rates has put upward pressure on the New Zealand dollar.

Economic activity in New Zealand appears to have strengthened following very modest growth in the middle of 2012. Domestic demand continues to improve, underpinned by continued acceleration in construction and a lift in household sector activity. While survey indicators suggest that growth has become more broad based, pockets of weakness remain. The high New Zealand dollar remains a considerable drag on the tradable sector, dampening export receipts and encouraging substitution towards imported goods and services.

While global conditions have improved recently, they continue to drag on the New Zealand economy. The New Zealand economy has performed well relative to many major economies in recent years, including the euro area, the United Kingdom and Japan – despite the considerable degree of monetary stimulus in place in these economies. Though the New Zealand dollar also reflects a high terms of trade and recent improvements in market sentiment, the relative performance and outlook of the domestic economy have contributed to New Zealand interest rates being higher than in most trading partners and the New Zealand dollar remaining persistently elevated. The high New Zealand dollar continues to dampen export receipts and has resulted in increased competitive pressures in the tradable sector more generally.

Economic growth in New Zealand's trading partners slowed through most of 2012 but now appears to have stabilised. Accommodative monetary policy has been a key factor

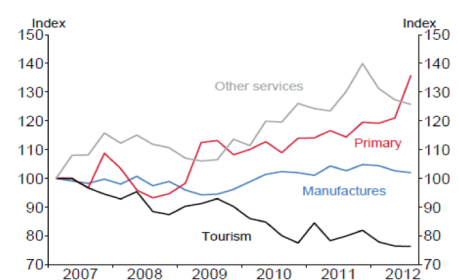
supporting activity in both advanced and developing economies. Growth in Australia and emerging Asia, which comprise the majority of our export basket, has continued at a faster pace than in other regions. However Australian minerals sector-related growth slowed markedly in 2012 and the whole Australian economy has weakened accordingly.

While weakness in the United States and the euro area through 2012 weighed on demand for New Zealand's exports and those of our other trading partners, survey indicators of economic growth have begun to improve in most economies.

The soft outlook for Western economies and associated stimulatory global monetary policy are expected to result in the New Zealand dollar TWI remaining elevated. The TWI is assumed to moderate over the medium term towards long-run average levels, at a rate based on interest rate differentials. A high exchange rate will continue to dampen export earnings and New Zealand's trade balance is projected to deteriorate in coming years.

While growth in export volumes will be supported by strength in primary exports and other services, exports of travel services will remain weak. In addition, imports will rise supported by increases in investment spending and an elevated exchange rate.

EXPORT VOLUMES



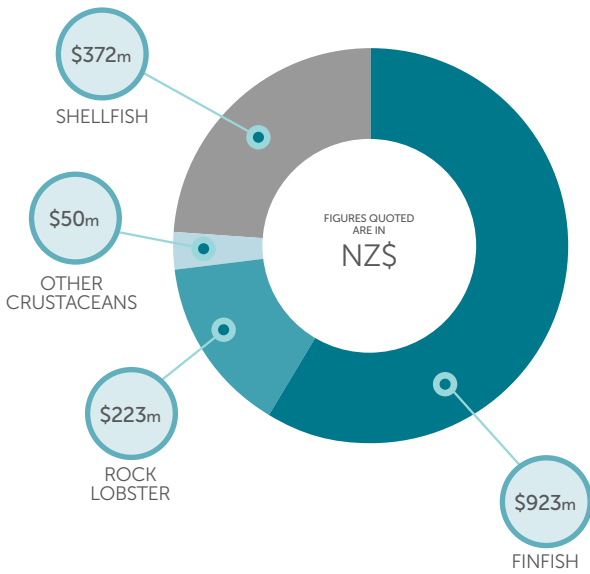
Source: Statistics New Zealand.

EXPORT STATISTICS

EXPORT NZ\$ FOB*

All figures in this section are based on export data provided by Statistics New Zealand and analysed by Seafood New Zealand for all of 2012.

Export value (2012) = NZ\$1,569 million

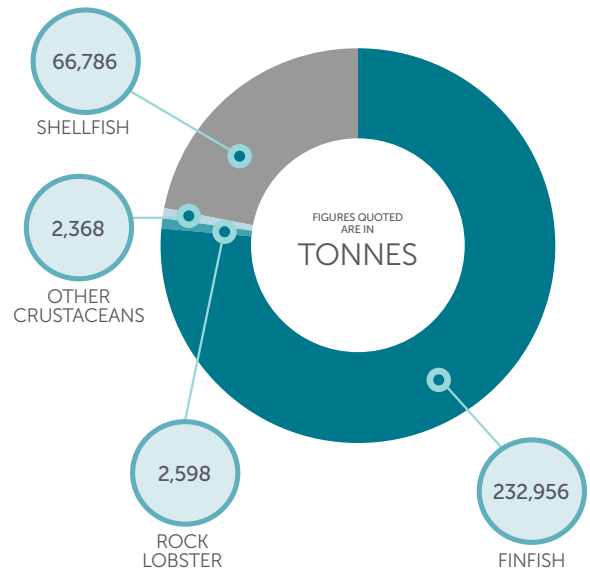


EXPORT TONNES

Total seafood exports for 2012 totalled NZ\$1,569m with over 304,000 tonnes exported.

Finfish species accounted for over three quarters of export volume and shellfish just under a quarter. Rock lobster and other crustaceans make up a tiny proportion of export volume. However, rock lobster contributes over 14 percent to seafood exports in dollar terms.

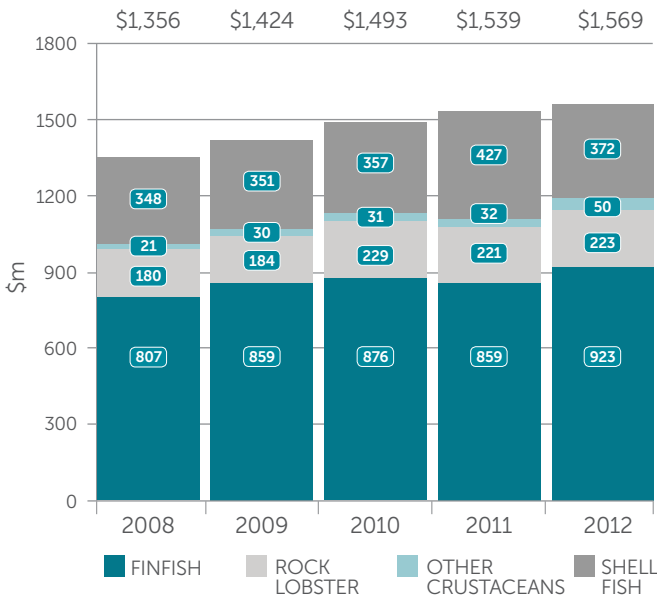
Export volume (2012) = 304,708 tonnes



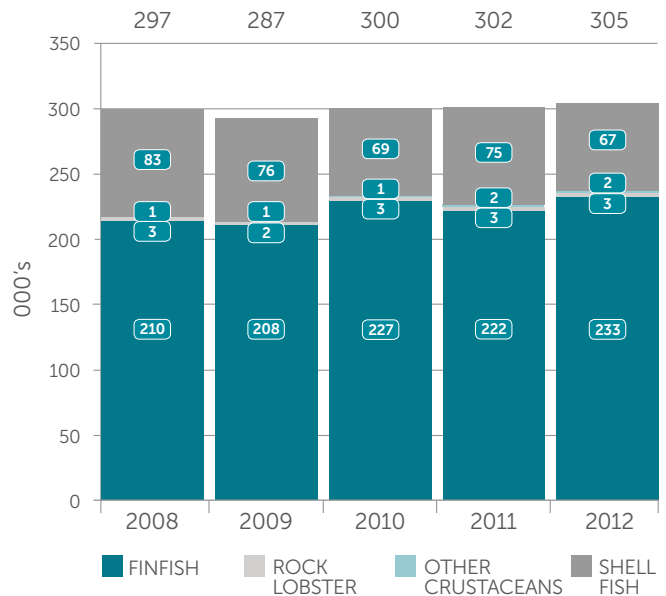
Compared with 2011, export volume increased slightly by 3,000 tonnes. Export value was also up 2% – from NZ\$1,539m to NZ\$1,569m. This represents an increase in value per tonne of just over one percent.

The total export receipts for rock lobster only grew by 1.18 percent as a result of a drop in volume compared with 2011.

EXPORT NZ\$ FOB*



EXPORT TONNES



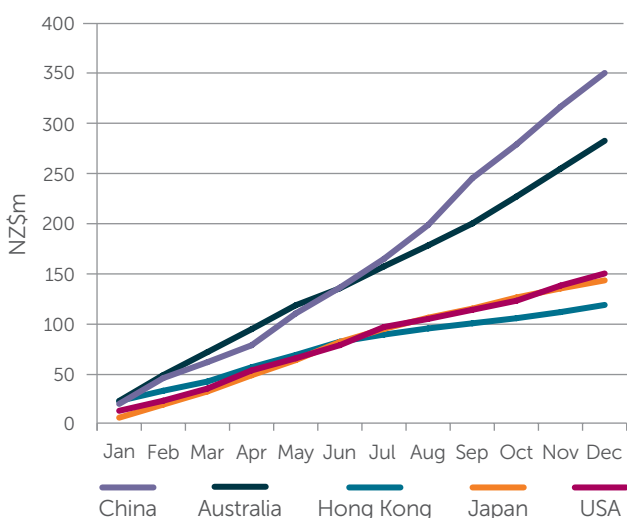
Source: Export data, Statistics New Zealand, Seafood New Zealand.

* FOB = Free on board. The value of export goods, including raw material, processing, packaging, storage and transportation up to the point prior to loading on board ship.

EXPORTS BY COUNTRY

There remains a distinct top five export countries: Australia, China, Hong Kong, Japan and the US. As shown in the graph below, exports to China grew strongly over the last six months of the year. While exports to China were up by 18 percent compared with 2011, this was largely due to a drop in exports into Hong Kong which fell 19 percent over the same period. However, there was a net increase of NZ\$26m in exports to China and Hong Kong combined.

Exports to top 5 countries – 2012



TOP 10 EXPORT VALUES (NZ\$)	2011	2012	% Change
1 China	300m	353m	▲ 18
2 Australia	275m	283m	▲ 3
3 United States	162m	150m	▼ -7
4 Japan	132m	143m	▲ 8
5 Hong Kong	146m	118m	▼ -19
6 South Korea	51m	62m	▲ 22
7 Spain	55m	32m	▼ -42
8 France	34m	31m	▼ -9
9 Singapore	36m	29m	▼ -19
10 Thailand	25m	24m	▼ -4

EXPORTS BY SPECIES

Rock lobster and hoki were the top two export species for 2012 and have shown slight growth between years. Compared with 2011, exports of mussels (down 13%) and squid (down 18%) have dropped significantly while tuna (up 27%) and jack mackerel (up 52%) have grown significantly.

TOP 10 EXPORT VALUES (NZ\$)	2011	2012	% Change
Rock lobster	221m	223m	▲ 1
Hoki	184m	195m	▲ 6
Mussels	219m	191m	▼ -13
Squid	105m	86m	▼ -18
Tuna	56m	71m	▲ 27
Jack mackerel	42m	64m	▲ 52
Paua	57m	46m	▼ -20
Salmon	53m	51m	▼ -4
Ling	43m	45m	▲ 5
Snapper	36m	37m	▲ 3

Source: Export data, Statistics NZ.

EXPORTS OF MAIN COMMODITIES

Exports of primary processed fish, crustaceans and molluscs totalled \$1,382m in 2012, a small increase of two percent compared with the same period in 2011. In comparison, total exports of all commodity types fell by just under three percent and all other main export commodities shown in the table below fell in the last year.

The seafood industry also contributed a further NZ\$190m in elaborately processed products such as capsules, powders, fish cakes and fingers.

NZ EXPORTS OF MAIN COMMODITIES (NZ\$)	2011	2012	% Change
Milk powder, butter & cheese	11,901m	11,428m	▼ -4
Meat & edible offal	5,529m	5,167m	▼ -7
Logs, wood & wood articles	3,197m	3,160m	▼ -1
Fruit	1,591m	1,563m	▼ -2
Crude oil	2,219m	1,790m	▼ -19
Mechanical machinery & equipment	1,823m	1,716m	▼ -6
Fish, crustaceans & molluscs	1,361m	1,382m	▲ 2

Source: Overseas merchandise trade, December 2012, Statistics NZ.

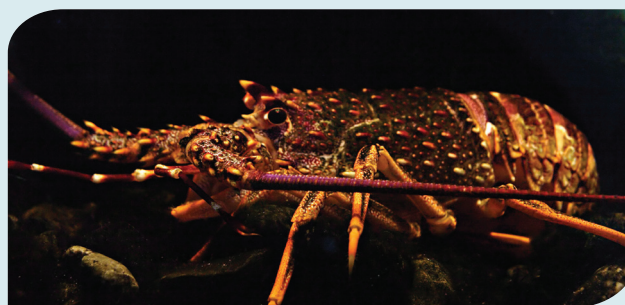
INTERNATIONAL STATISTICS¹

- Overall supply during 2012 ended 1.3 percent higher compared with 2011, reaching 158 million tonnes, thanks to continued growth in aquaculture production, up 5.8 % to 67 million tonnes, a new record. Following the same pattern, trade values saw only a modest increase over 2011 as prices continued to fall throughout 2012, especially for farmed products.
- Quotations for many wild species held up better as producers were able to adjust fishing to market demand. However, rising catch quotas for several important wild species caused prices to soften as markets were not able to clear the additional volumes without significant reductions in price.
- Trade volumes for 2012 were still up on 2011 showing the positive underlying trend in demand worldwide for fish and fishery products.
- A number of emerging economies continue to show healthy growth rates in consumption and imports of seafood leading exporters to develop new markets. This along with the increase in aquaculture production - which is largely based in developing countries - has led to the share of developing country exports as a proportion of total exports to increase above the usual 50% share.

World fish markets at a glance:

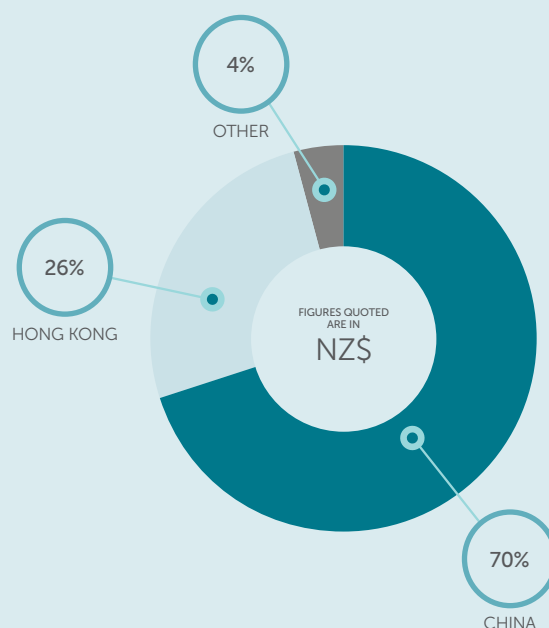
	2010	2011 estimate	2012 forecast	% change 2011 - 2012
Production	148.5	155.5	157.5	1.3
Capture fisheries	88.6	91.9	90.2	-1.8
Aquaculture	59.9	63.6	67.3	5.8
Trade value (USD bill)	108.6	127.5	129.2	1.3
Trade volume (live weight)	56.7	58.8	59.6	1.4

SPOTLIGHT ON ROCK LOBSTER



- Southern rock lobsters are abundant in New Zealand and are also found across the southern coastline of Australia from Tasmania west to Albany in Western Australia. Rock lobsters are found along most rocky coastlines around New Zealand and are harvested throughout the year. In general, the lowest catches occur when rock lobsters are moulting and mating (usually between February and May). The highest catches usually occur from June to November, with regional variations.
- In New Zealand, the rock lobster is managed by nine rock lobster fisheries management areas around New Zealand, known as CRAMACs. For more information on the management of the rock lobster fishery, go to www.nzrocklobster.co.nz
- In 2012, over 2,780 tonnes of rock lobster was commercially caught in New Zealand, this equated to virtually all of the allowable commercial catch for that species. The vast majority of the commercial catch (over 2,500 tonnes) is exported live.
- Exports of rock lobster totalled NZ\$223 million, the highest earner of any seafood species. The vast majority of exports go to China and to a lesser extent Hong Kong.

Exports of Rock Lobster 2012



CATCH INFORMATION

The table below shows the fish species with the largest Total Allowable Commercial Catch (TACCs) levels for the October and April fishing years*. The species shown below are not necessarily the most caught but those species which are considered to be the main 'targets'. Hoki has the second highest total TACC (ie. when each species fish stock is added together) of the October year stocks. The hoki fishery has a seasonal peak between July and September. Squid is a highly seasonal fishery in the late summer and autumn. It has wide naturally occurring fluctuations in annual abundance.

Other than southern blue whiting, the stocks with an April fishing year are shellfish and crustacean stocks.

Comparing the current fishing year to date catch with the same period last year we can see that catch is down for most of the stocks with the exception of jack mackerel (up 19%), squid (up 88%) and barracouta (up 44%). However, this report only shows results for the first three months of the fishing year from October to December and therefore we can expect some dramatic changes as the fishing year progresses. As such comparisons this quarter should be made with caution.

*October and April are the two months traditional fishing years begin from.

THIS QUARTER:

- School Shark (SCH - *Galeorhinus Galeus*) was added to Schedule 6 of the Fisheries Act 1996 with effect from 3 January 2013. This means that it may be returned to the sea or other water under the following conditions:
 - it is likely to survive on return; and
 - the return takes place as soon as possible after it has been taken.
- For more information go to www.fishserve.co.nz/news

Most commonly NZ caught seafood species (in tonnes) managed under the Quota Management System for a full fishing year				Catch 2011/12 fishing year		
				Same period 2011	Latest catch figures 2012	% change
October stocks (1 Oct 2011-30 Sept 2012)	Catch	TACCs*	% of catch against TACC	1 Oct 2010-30 Sept 2011	1 Oct 2011-30 Sept 2012	
Hoki	130,106	130,010	100%	15,499	13,404	-14%
Jack mackerel	40,261	60,547	66%	13,139	15,636	19%
Squid	35,207	127,332	28%	107	201	88%
Barracouta	26,433	32,672	81%	4,419	6,350	44%
Oreo	13,088	18,860	69%	5,810	4,567	-21%
Snapper	6,535	6,357	103%	1,928	1,881	-2%
Orange roughy	5,835	6,941	84%	1,356	1,189	-12%
Blue cod	2,214	2,331	95%	324	265	-18%
Paua	944	1,058	89%	587	518	-12%
April stocks (1 Apr 2011-31 Mar 2012)				1 Apr 2011-31 Dec 2011	1 Apr 2012-31 Dec 2012	
Southern blue whiting	38,364	43,408	88%	38,340	29,852	-22%
Rock lobster (spiny, packhorse)	2,781	2,833	98%	2,249	2,149	-4%

Source: The Blue Book, FishServe.

More information on the QMS can be found on our website: www.seafoodnewzealand.org.nz/qms

* TACCs = Total Allowable Commercial Catches.

THE SEAFOOD INDUSTRY – AN OVERVIEW

The cornerstone of New Zealand's fisheries management is the quota management system (QMS) which was introduced in 1986. Under the QMS an annual catch entitlement is set for each fish stock. By controlling the amount of fish that can be taken from each stock, the QMS sets the foundation for ensuring the sustainability of New Zealand fisheries.

4.4 million km²

AREA - Exclusive Economic Zone (EEZ) and territorial sea

15,134 km

Length - New Zealand coastline

631,791 tonnes

Total allowable commercial catch (as at December 2012)

446,945 tonnes

Total landed catch (as at December 2012)

600,000 tonnes

Total seafood harvest (including aquaculture)

636

Number of stocks in the QMS

NZ\$1.57 billion

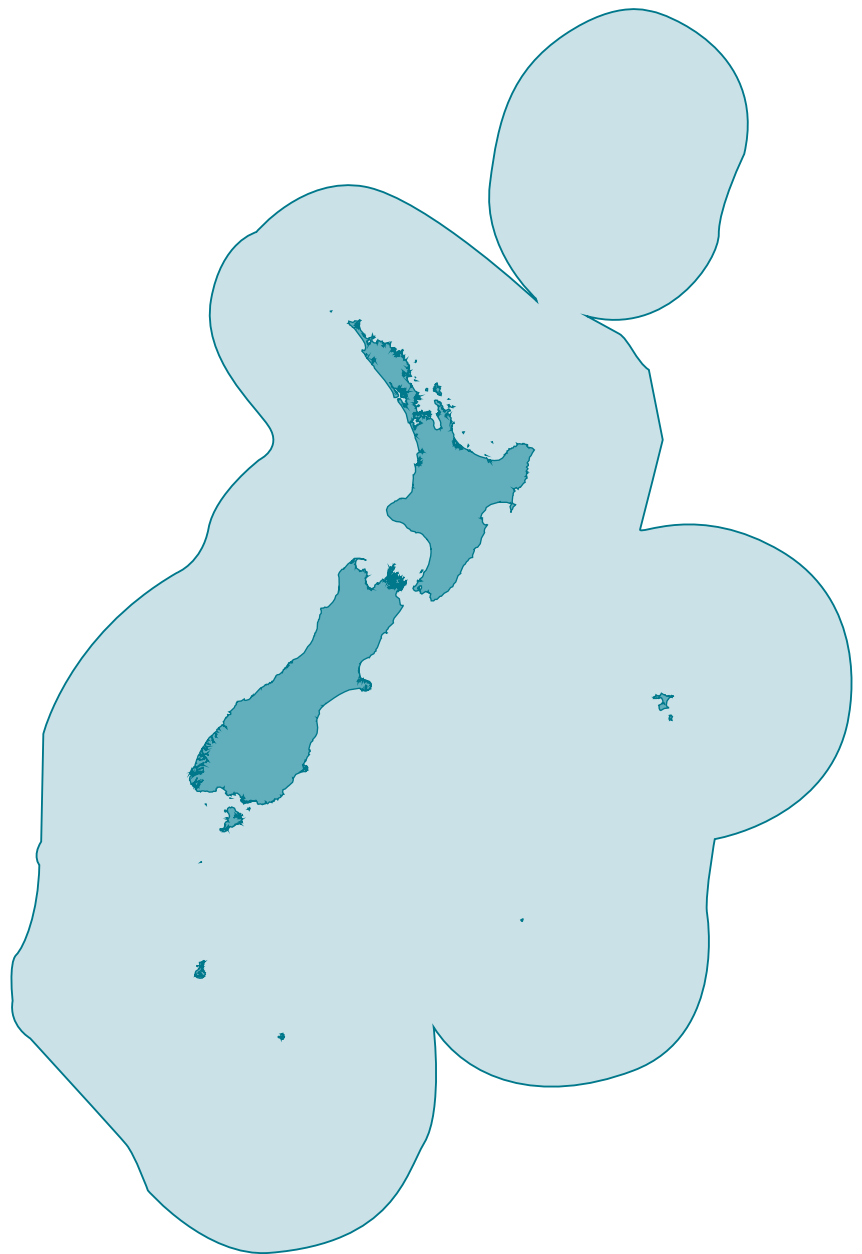
Exports in 2012

25,000 FTEs

Estimated direct and indirect employment

1,412

Number of registered fishing vessels



NEW ZEALAND'S EXCLUSIVE ECONOMIC ZONE

More than 90 percent of New Zealand's exclusive economic zone (EEZ) has never been bottom trawled and 30 percent of the EEZ is completely closed to bottom trawling – one of the largest bottom trawl closures within an EEZ in the world.

Ensuring that impacts on the marine environment caused by fishing activity are kept within acceptable levels is a priority for the New Zealand seafood industry and the Ministry for Primary Industries (MPI). Regulations and industry agreements are in place to reduce the impact of fishing on protected species such as the New Zealand sea lion, fur seals and seabirds. Restrictions are also in place to protect Hector's and Maui's dolphins, the world's smallest dolphins.

Source: MPI, Seafood New Zealand.

Nature's gift, harvested with care.