Shellfish
Association of Great Britain

THE NINTH INTERNATIONAL COLDWATER PRAWN FORUM

ICWPF
INTERNATIONAL COLDWATER PRAWN FORUM

This biannual Conference, established in 1996 by **ex SAGB Director Dr Peter Hunt**, was held in Copenhagen on 12 November 2015 and attended by 210 leading experts from the Arctic, Northern European and North American Countries.

Three keynote speakers set the scene: Jorgen Olsen, Greenlandic Minister for Fisheries described how a ten year decline in landings (130,000t/2006 to 60,000t/2015) had generated threefold price increases. Precautionary stock management, optimisation of product quality and market management, including full international accreditation, had optimised management of fluctuating supply and demand to stabilise the Greenlandic industry. He asserted that recent large recruitment will reverse the long negative biomass development and the future challenge is to optimally manage catches and product quality to maximise economic return. Adeline Grenier of the Canadian Embassy in Copenhagen described how EU market opportunities had opened up to Canadian producers following a free trade agreement to be fully implemented in 2017. Coldwater prawns are the fourth largest fish export to the EU and following significant quality improvements and sustainable certification, exports to the EU will be largely duty and tariff free. Henrik Espersen of the Danish Seafood Association compared Denmark's unique position being involved in 80% of international coldwater prawn trade despite landing only 2%, with that of Sweden which does not catch or trade prawns but is a major consumer, particularly of high quality products including hand peeled prawns irrespective of price.

The Shellfish Association of Great Britain
Fishmongers' Hall
London Bridge
London, EC4R 9EL

T: 020 7283 8305
F: 020 7929 1389
www.shellfish.org.uk

Dr Carsten Hvingel of the Norwegian Institute of Marine Research described the dramatic growth in coldwater prawn production from the mid 1970s upto 2004, highlighted by the establishment of the offshore Greenland fishery in 1974, peak Barents Sea production in 1984, the Canadian fishery opening in 1988, followed by Flemish Cap in 1995, to a combined peak of around 450,000t production in 2004. Since then, all fisheries in the Western Atlantic have been in continuous decline, down more than 40% in total in ten years. There was no significant increase in fishing mortality prior to the decline in catches and overfishing was not the likely cause albeit sustained fishing pressure in the period of stock decline did not help. He attributed the decline in West Atlantic prawn stocks to dramatic increases in cod stocks and climate changes which created an ecosystem regime shift from prawns to groundfish. Dr Hvingel stated that prawn stock dynamics in the Eastern Atlantic is very different to the West with relatively weak correlation between fishing mortality and stock size, and the dramatic decline in catches in recent years is determined by something other than stock availability with the 'fish/climate' pressure being much weaker; accessibility, economics of catching and stock distribution were the likely drivers. He predicts that in the Western Atlantic, comprising the two largest fisheries in West Greenland and Canada, sea warming is expected to continue and the transition from prawns to fish is ongoing such that prawn stocks will continue to decline – a pessimistic prediction that contradicts Minister Olsen's reported recently improved recruitment in Greenland. Similarly the Maine, Flemish Cap and Grand Banks prawn fisheries show no signs of recovery, nor do Greenland East and Iceland which are at historic lows. Small increases in stock are predicted in the Barents Sea but the low North Sea stocks will remain static. In the next ten years, continued warming will reduce prawn fishing grounds and by 2025 the regime shift will be complete and a new low prawn catch established.

Dr Laurie Weitkamp of the US NOAA described how the upcoming strong El Nino event is expected to depress recruitment of pink shrimp, Pandalus jordani, for 1-2 years and how warm water temperatures and higher sea levels experienced in 2015 are expected to depress recruitment over a longer period. She expects recent high landings of the Oregon pink shrimp to decline. She also described the 'Warm Blob' which is an unusually persistent high pressure over the North Pacific which blocks heat transfer from the ocean to the atmosphere. This has resulted in 1-3 degree temperature increases and the largest Pseudo-nitzschia diatom bloom ever observed in 2015. The neurotoxin produced is fatal to mammals, caused widespread crab and clam closures and large numbers of whale deaths. Seventeen subtropical/pelagic copepods never before observed off Oregon were present this Spring and there was a dramatic change in the jellyfish community composition.

Nick Edwards, an Oregan shrimp fisherman, introduced the use of artificial light to drastically reduce bycatch in shrimp trawl gear. Simply lighting up the footrope on the front of the trawl reduced smelt by 90%, rockfish by 78% and flatfish by 69%, without reducing prawn catch.

Jonathan Banks described changes in British retail where a 2015 reduction in sales volumes of shellfish (-4.3%) was more than compensated by increases in value (+11.1%). Growing competition from discounters is reducing margins, profitability and customer loyalty with changing shopping habits. The retailer response has been to allocate increased space for private label, reduced product range and complexity and increased transparency with improved Grocery Codes of Compliance. Increased share of private label has been complicated by ‘copy’ brands but has concentrated wellbeing, ethical, indulgence/pleasure and convenience/practicality trends.

Consultant Karen Galloway described how she is working with the Prawn Industry to demonstrate the compelling story of the ‘Wild Atlantic Prawn – a coldwater delicacy‘ to persuade consumers to buy the product through simplicity, education and innovation messaging. She outlined a chef based education programme being used to reappraise Wild Atlantic Prawns, their preparation and use, and how they can add value to their menus. Chefs are increasingly interested in the producer and product information as a means of improving food preparation and enhancing the dining experience. She advocated the use of twitter networking to spread the message.

Libby Woodhatch of Seafish talked about the role of certification in the ethics of production and the Seafish Responsible Fishing Scheme which is becoming a global standard for industry working conditions and welfare.

Gao Linming, Director of Everfish Ltd, China, gave a detailed insight into the opportunities and complexities of the massive Chinese domestic seafood market which is expected to represent 38% of global seafood consumption by 2030, but already is the biggest single import market for seafood servicing 109 million Chinese middle class. He demonstrated a revolutionary e commerce market with online and mobile shoppers increasingly replacing traditional higher cost multilayered traditional outlets. Tmall is the World’s largest ecommerce site occupying 52% of the Chinese market with sales volumes exceeding that of Amazon and Ebay combined. Shell-on coldwater prawns are well known in China – in the past low priced, low quality dumped, mostly through retail but now the opportunity is for high quality, high priced cooked and peeled sold with support material on how to best prepare and use. Large but short promotions can be particularly successful. Mr Linming clearly demonstrated that seafood can be sold online in China and that this is a good platform to educate consumers looking for a good story and deals, mostly the younger generation with active online review of supplier and product performance. Effective import management and good logistics is essential, requiring a strong physical presence in China.

Lian Heinhuis of Food and Agribusiness Research summarised shrimp aquaculture dynamics where high supply volatility is expected to continue due to recurring disease issues. A re-ranking of leading exporters and new business models incorporating sustainable certification is likely in order to meet high global demand. The main export markets (EU,USA, Japan) are stable in volume at around 1.6million tonnes but the supply volatility has grown value up from US$12billion to US$17billion in the last five years. Total supply of farmed shrimp is now 3.5million tonnes. The bulk of the industry is in SE Asia but future growth will be outside Asia (eg Ecuador, Brazil, Mexico). Thailand was the largest producer at 600,000 tonnes in 2012 but a combination of disease, tariffs and ethical problems reduced production to around 300,000tonnes (2013-2015) although this is expected to grow again. China production also suffered disease in 2009 but demand and imports are rising fast. India escaped disease problems until very recently and has had a booming shrimp farming production with strong exports to the EU, Japan and USA. Asian production is at a crossroads of marginally recovering volumes but high costs, a need for a new business model and strong domestic demand will lead to a decline in the long term trading position. Export focussed Ecuador benefitted from the Asian diseases with a doubling of export volume to 300,000 tonnes and 2.5 times value in the past five years with good distribution to the EU, USA and Asia. Brazil remains unfulfilled promise with production stabilised around 70,000 tonnes. Mexico has high potential but was stricken by disease transferred from Asia (but how?)

Heinhuis summarised that South America is potentially the most profitable shrimp farming region, driven by strong depreciation against the USD (eg Brazil -44%) and low costs, but as yet is not meeting expectations. The major overall Asian industry challenge results from the conversion to vannamei shrimp production from 2002 onwards; the faster growth resulting in diseases which have still not been resolved. Shrimp prices have been very high and will continue whilst such supply uncertainties persist.

John Sackton, Publisher of Seafood News and Seafood Market Analyst, reviewed coldwater prawn supply and markets in North America. US West Coast landings of P.jordani are at record levels albeit the global P.borealis supply decline may ease in 2016, prices continue at a high level with currency changes helping Canadian exporters into the US market. Jordani landings in 2015 will be 48,000 tonnes, higher than the Newfoundland inshore fisheriy for borealis, and has largely replaced the Canadian imports which have switched to the UK. Coldwater prices in the UK increased from £8.60/kg in late 2013 to £9.40/kg by September 2014 before falling back to £8.30/kg for major 2014 Christmas promotions, then remaining around £8.80-9.00/kg through to the end of summer 2015 . Warmwater prawn prices remained stable upto July 2013 at £11.00/kg then increasing steadily upto £14.50/kg by late 2014 but are now falling. Such high prices for cold and warm water prawns were driven by lack of supply. US retail and foodservice demand for 2016 is strong and prices are expected to remain firm.

Krishan Kent of Orkla, Sweden outlined his Company’s commitment to sourcing only sustainably certified products which was delivering positive value creation. Tom Klauson of Stella Polaris, Norway showed how his Company had developed and patented the production of peptides from the 40% waste prawn shell. The peptides are highly effective at reducing elevated blood pressure suffered by 60% of the population. From a 13,000t of raw material, 250 million daily doses of ‘systolite’ are being brought to market reducing the blood pressure risk for 700,000 people and contributing to the profitability of processing prawns.

The final speaker, Mikael Thinghuus, CEO of Royal Greenland (RG) described how the World’s largest processor of coldwater prawns had matured to adapt to challenging supply fluctuations and market demands into profitable business. The Mission is to sustainably maximise the value of the North Atlantic marine resources to the benefit of Greenland, with a Vision to be closest to the fish, the customers and the consumers. Thinghuus insisted size matters and that RG aims to consolidate its position by strengthening its halibut, cooked and peeled prawn, and shell-on prawn, and renew the Greenland cod fishery to double business in Asia, lead in Europe by growing these core businesses and doubling the assortment of foodservice products. Overall coldwater prawn catches have declined from 451,115 tonnes in 2004 to 267,500 tonnes in 2014 and are predicted to decline further to 216,290 tonnes by 2017. Greenland production will probably remain stable for the next three years at just above 60,000 tonnes.

Shell-on prawns are predominantly sold in China, Sweden and Russia whereas UK and Sweden are the main markets for cooked and peeled. Since 2014, volumes of cooked and peeled have been reduced to half whilst prices have tripled but it is not possible to extrapolate this because short-term supply will stabilize but long-term is unknown and the markets have adapted to the lower levels of supply. He asserts that the challenge for coldwater prawns will be to differentiate itself and demonstrate true value to customers. The threats of substitutions and value for money must be responded to by delivering a core message of unbeatable product, with true value on quality and diversified market penetration. In traditional markets, quality must be the driver using well developed harvesting, processing and packaging techniques. In more recent and new markets, the unique character of coldwater prawns must be emphasized and production, packaging, sales and promotion developed to local market requirements, with a strong local market presence. Both routes require the coldwater prawn industry to share goals with the species as the overarching brand to ensure all producers are not damaged by sub-standard product from one source but newer markets will also require cooperation in finding a niche for the product. Thinghuus summarised that in the short term supply will remain at the current low level with demand far exceeding supply and strong prices, with substitution to be expected in low value segments; but in the long term, quotas will flatten and the traditional market will adapt to a lower but sustainable level and the product will need to be better differentiated than it is today. There is a need to take some very high quality products to a completely different premium range.

Dr Peter Hunt

26 November 2015