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Fishery Products

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Report Highlights:

In 2006, Norway exported a record volume of salmon. Norwegian salmon exports were helped by the lack of supply from Chile and strong demand. Salmon exports have continued to grow in 2007 thanks to increasing demand in third countries as well as in EU countries. Prices are, however, lower than last year.

Includes PSD Changes: No
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EXECUTIVE SUMMARY

Seafood is Norway's third largest export item, with oil and gas in first place followed by metal. The fish industry has long been an important pillar of Norway's economy. In 2006, the value of Norwegian seafood exports amounted to NOK 35.6 billion (USD 5.5 billion), an increase of 8 percent from 2005. Exports of farmed salmon and trout increased by 24 percent and accounted for more than half of total exports (52 percent).

Norwegian salmon exports were helped by the lack of supply from Chile in 2006 when Norway exported a record volume of salmon. Nearly 500,000 MT (product weight), valued at NOK 17 billion (USD 2.7 billion) was exported. Whole salmon accounted for almost 90 percent (443,017 MT) of total salmon exports, of which more than 75 percent went to EU countries. Exports to the United States amounted to 1,653 MT valued at USD 12.4 million.

In 2007, salmon exports continue to grow both in volume and value thanks to increasing demand in third countries as well as EU countries. In addition, Norway's salmon exports to Russia are recovering from last year's drop. This drop was due to the Russian import ban on seafood from Norway. On January 1, 2006, Russia banned imports of fresh fish from Norway. Russian veterinary authorities reported findings of high values of lead and cadmium in Norwegian farmed salmon (GAIN NO6001). Since then, Norwegian establishments that have undergone successful veterinary inspections by Russian authorities are permitted to export fresh fish to Russia. Currently, 13 Norwegian establishments are approved. Before these restrictions were imposed, Russia was the number one destination for Norwegian seafood exports.

Norway's total catch of wild fish in 2006 amounted to 2.2 million MT valued at NOK 11.6 billion (USD 1.8 billion), down 6 percent from 2005. The cod catch amounted to 221,113 MT, down 2 percent from 2005. Exports of cod increased by 2.5 percent in 2006 to 95,634 MT. In 2007, the increase in cod exports is continuing thanks to good market conditions in important export markets, such as Portugal, Brazil and Italy.

Rates of exchange used in this report:

CY 2006: USD 1 equals NOK 6.41

CY 2005: USD 1 equals NOK 6.44

PRODUCTION

Policy

According to Norwegian legislation, an official license is required to participate in aquaculture in Norway. The holder of the license is subject to a set of rights and obligations, including the right to produce specific species, in a specific quantity, at specific sites. On January 1, 2006, a new Aquaculture Act replaced the Fish Farming Act that was adopted nearly 20 years ago. The purpose of the new act is "to promote the profitability and competitiveness of the aquaculture industry within the framework of a sustainable development and contribute to the creation of value on the coast." Simplification of the application process establishing aquaculture enterprises is also laid down in the Act. The Aquaculture Act is available at http://www.fiskeridir.no/fiskeridir/kystsone_og_havbruk/lov_om_akvakultur_1/aquaculture_act

The Norwegian Seafood Export Council

The Norwegian Seafood Export Council, established in 1991 by the Ministry of Fisheries, is located in Tromsø. Its board consists of seven members representing exporters, producers, fish farmers and the Ministry of Fisheries. The main marketing strategy of the Norwegian Seafood Export Council is generic promotion of fish products - both domestically and internationally. It also has the authority to approve Norwegian exporters and assure that they follow prescribed rules and regulations. Every year, about 600 marketing activities are conducted in 25 markets.

The Norwegian Seafood Export Council is involved only in generic promotion. Its operations are financed by the fish industry. Exporters are informed in advance about dates and countries in which an activity is planned so that they can take advantage of these promotions in marketing their brands. The Norwegian Seafood Export Council is also an advisory agency for the Ministry of Fisheries on questions related to seafood exports.

The Norwegian Seafood Export Council has introduced a voluntary quality labeling scheme for Norwegian seafood. The first species produced under the scheme are blue mussels and "skrei" (a migrating spawning cod). For more information, please visit the Norwegian Seafood Export Council's website: www.seafood.no

U.S. Sanctions on Norwegian Salmon

For about 15 years, Norwegian exports of salmon to the United States have been hampered by U.S. sanctions in the form of anti-dumping and countervailing duties, amounting to about 25%. In terms of price, Norwegian salmon cannot compete within the U.S. market with salmon from Chile and Canada. However, Norway has managed to secure a niche market for some of its products. Norwegian exporters are adjusting to U.S. consumer preferences by supplying the market with fish in a filleted and ready-to-eat form.

EU Restrictions on Norwegian Salmon

In 1996, Norway established a feed quota for salmon that limited the maximum yearly feed usage by volume of licensed sites. The goal was to control salmon production and thereby avoid the oversupply of foreign markets, in particular the EU. As of January 1, 2005, the Norwegian Ministry of Fisheries and Coastal Affairs abolished the feed quota.

In addition, Norway agreed to impose minimum prices and restrictions on fresh salmon exports to the EU in 1997, with the aim to limit low-priced Norwegian salmon exports to the EU market. Thereby, Norway succeeded in avoiding antidumping duties called for by the Commission based on complaints from Scotland. On July 1, 2005, the EU replaced the provisional import tariff that had been in place since April 27, 2005 with a minimum import price (MIP). The MIP is set at € 2.81 per kilo.

Free Trade Agreement with South Korea

In December 2005, the European Free Trade Association (EFTA), of which Norway is a member, and South Korea signed a free trade agreement covering all major areas of the parties' trade relations, including seafood. Norwegian seafood exports have gained from this

agreement. In 2006, Norwegian seafood exports to South Korea increased by about 40 percent to 10,900 MT valued at USD 39 million.

(http://secretariat.efta.int/Web/News/korea_fta_enters_into_force/view) Other members of EFTA are Iceland, Liechtenstein and Switzerland.

Russian Ban on Norwegian Fish

On January 1, 2006, Russia banned import of fresh fish from Norway. Russian veterinary authorities reported findings of high values of lead and cadmium in Norwegian farmed salmon (GAIN NO6001). From October 1, 2006, further restrictions on Norwegian seafood exports were imposed. From that date, all seafood exports to Russia, including chilled and frozen, must come from an establishment approved by the Russian veterinary authority. Since these restrictions were imposed, Norwegian establishments that have undergone successful veterinary inspections by Russian authorities are permitted to export fresh fish to Russia. Currently, 13 Norwegian establishments are approved.

Salmon Production

Salmon is the most important farmed "animal" in Norway. Since 1996, Norway has doubled its production of salmon and is now the largest producer of farmed salmon in the world, accounting for nearly half of world production. In 2006, Norwegian production reached a record level of 597,000 MT (round weight). Norwegian salmon production is benefiting from the lack of supply from Chile, which stems from production problems. Production is expected to continue to increase in 2007 and 2008 thanks to strong demand on export markets.

Wild Fish/Cod Production

Norway's total fish catch declined by 6 percent to 2.2 million MT in 2006 valued at NOK 11.6 (USD 1.8 billion).

The fishing of Norwegian groundfish is regulated bilaterally within the Joint Russian-Norwegian Fisheries Commission. Regulations include the setting of total allowable catches (TACs) and national quotas for Russia and Norway. When setting these quotas for cod, the Commission has repeatedly set higher quotas than those recommended by the International Council for Exploration of the Seas (ICES). The Norwegian quota for 2006 was set at 212,700 MT, compared with 218,700 MT for 2005. For 2007, the quota is set at 199,500 MT.

The cod catch amounted to 221,113 MT in 2006, down 2 percent from 2005 due to lower quotas. In 2007, cod catch is expected to decrease as a result of a lower TAC.

While Norway exceeds its national quota for cod, the haddock catch is traditionally within quota. The 2006 Norwegian quota for haddock was 72,973 MT. Actual haddock catch in 2006 increased to 71,434 MT, from 63,337 MT in 2005.

Over the past decade, the disposition of catch has changed. The volume of fish sold frozen is increasing while less seafood is sold fresh. About 35 percent of total catch goes to the frozen fish market, 10 percent to the fresh fish market, 40 percent is utilized for meal and oil production and the remainder for other use. It should be noted, however, that this trend seems to be changing with rising interest in fresh fish, especially fresh filets.

Farmed Cod

The possibility of farming cod has longed been discussed in Norway. The first serious attempts to farm cod in 1975 proved to be unprofitable. Thanks to rising market prices for cod in recent years, the economics of cod farming has become much more favorable. Norwegian production of farmed cod is small but increasing rapidly. In 2006, production increased to about 11,000 MT, from about 5,000 MT in 2005. In 2007, production is expected to further increase to 13,000 MT. The industry hopes to supply export markets with fresh cod year-round. Reduced supply of wild cod is also an important factor in promoting increased production.

The Fishing Industry

Currently, Norway has a fishing fleet of 7,313 vessels. The industry employs 13,933 fishermen, with 80 percent of them claiming fishing as their main occupation. In comparison, within the aquaculture industry approximately 2,630 fish farming licenses were issued in 2006, employing about 3,489 workers.

The fish processing industry consists of small and medium sized companies situated along the Norwegian coast. There are about 693 processing plants employing approximately 13,500 workers. Norway's high labor costs coupled with reduced access to the EU market for Norwegian salmon has resulted in increased concentration of ownership interests and relocation of processing facilities to low-cost countries and within the EU.

CONSUMPTION

Norwegian domestic annual consumption of fish amounts to about 23 kg per person or about 107,000 MT in total. Of this, about 10% is private catch and 15% is served in restaurants. While total consumption has not increased in past years, consumption of filets and other cuts has increased.

TRADE

In 2006, total Norwegian fish exports amounted to NOK 35.6 billion (USD 5.5 billion), an increase of 8 percent compared to 2005. In volume, fish exports amounted to 1.6 million MT. Exports to Russia decreased substantially, by about 20 percent due to Russia's import restrictions on Norwegian seafood that were imposed in 2006. France is Norway's largest individual export market, taking about 11 percent of the total, followed by Denmark and Russia.

While the EU accounts for over 60 percent of Norwegian fish exports and is, by far, the most important market for Norwegian fish exporters, non-EU markets are growing fast. Salmon and cod are the most important species exported from Norway to world markets, accounting for more than half of total 2006 export value. Norwegian salmon alone represented 48 percent of total export value and was shipped to more than 50 countries.

Norwegian Salmon Exports

Norway's total salmon exports increased again in 2006, reaching a record level of 498,047 MT valued at NOK 17.1 billion (USD 2.7 billion), compared to 469,242 MT valued at NOK

13.4 billion (USD 2.1 billion) in 2005. It was previously forecasted that the increase in Norwegian exports would be hampered by strong competition from Chile on the world market. Due to lack of supply from Chile in 2006, however, Norway was again able to further increase its exports in 2006.

A major part, almost 90 percent, of Norwegian salmon is exported whole. In 2006, exports of whole salmon amounted to 443,017 MT, compared to 423,943 MT the year before. Exports to France, Denmark, Poland and UK increased while exports to Russia and Japan decreased. The EU minimum import price at EURO 2.80 that was imposed for Norwegian salmon in 2006 has had limited effect on Norwegian exports since market prices exceed the MIP by far. Exports to Russia decreased as a result of Russian import restrictions on Norwegian seafood that were imposed last year. The increasing trend of exports to Japan was broken last year due to the fact that the Japanese market is now saturated. Hence, exports levels to Japan are expected to remain stable coming years. Norwegian exports to the United States decreased to 1,653 MT, from 1,889 MT in 2005.

In the first nine months of 2007, salmon exports have continued to grow both in volume (27 percent) and value (4 percent) thanks to increasing demand in third countries as well as EU countries. Exports to third countries have increased by 50 percent while exports to EU countries have increased by 20 percent. The strongest growth is shown in Russia, Ukraine, China, Thailand and South Korea. Export prices are going down from last year's extremely high levels to more normal levels, but are still well above the EU minimum import price (MIP).

Norwegian Cod Exports and Imports

Norwegian exports of whole cod decreased by 10 percent to 35,767 MT in 2006 while exports of dried and smoked cod increased by about 2 percent to 59,867 MT. The largest markets for Norwegian whole cod are Denmark, China and Portugal. The largest market for dried and smoked cod is Portugal but Italy, Brazil, Spain and Greece are also big markets for dried and smoked cod. In 2007, exports are increasing thanks to good market conditions in especially Portugal, Brazil and Italy.

While Norwegian exports of cod to the US is rather small, Norwegian imports of whole cod from the US are relatively big. In 2006, such imports amounted to about 11,000 MT.

MARKETING

Norway's imports of fish and seafood amounted to about USD 350 million in 2006. The majority of imports are utilized by the aquaculture or processing industry for export products. There is, nevertheless, a market for "specialty products" such as scallops, mussels, oysters, living and frozen squid. These products are mainly intended for the retail and hotel, restaurant and institutional (HRI) trade. About 75 percent of consumer seafood products are distributed through retail outlets and specialty stores, while the remainder goes to the HRI market. Retailers, specialty stores and the HRI market are supplied through both direct distribution (52 percent) and wholesalers (48 percent).

STATISTICAL SECTION

Export Trade Matrix Norway, Salmon, Whole/Eviscerated

Time Period	CY	Units:	MT
Exports for:	2005		2006
U.S.	1889	U.S.	1653
Others		Others	
France	68093	France	76543
Denmark	56842	Denmark	60450
Russia	47048	Russia	32920
Poland	33484	Poland	37187
UK	29679	UK	33751
Spain	26531	Spain	29831
Japan	21802	Japan	18313
Germany	21542	Germany	18841
Netherlands	17060	Netherlands	21864
Finland	12449	Finland	13544
Total for	334530		343244
Others			
Others not Listed	87524		98120
Grand Total	423943		443017

Import Trade Matrix Norway, Salmon, Whole/Eviscerated

Time Period	CY	Units:	MT
Imports for:	2005		2006
U.S.	0	U.S.	
Others		Others	
Russia	21	Russia	40
Netherlands	0	Netherlands	33
UK	22	UK	0
Denmark	12	Denmark	9
Faroe Islands	0	Faroe Islands	25
Estonia	0	Estonia	22
Sweden	0	Sweden	12
Total for	55		141
Others			
Others not Listed	6		26
Grand Total	61		167

Export Trade Matrix Norway, Cod Whole

Time Period	CY	Units:	MT
Exports for:	2005		2006
U.S.	41	U.S.	59
Others		Others	
Denmark	14303	Denmark	10033
China	5191	China	5444
Portugal	4452	Portugal	4392
France	3772	France	3219
Lithuania	2433	Lithuania	1740
Spain	1397	Spain	1586
Russia	585	Russia	1126
Total for	32133		27540
Others			
Others not	7138		8168
Listed			
Grand Total	39312		35767

Import Trade Matrix Norway, Cod Whole

Time Period	CY	Units:	MT
Imports for:	2005		2006
U.S.	11338	U.S.	11051
Others		Others	
Russia	22739	Russia	22315
Sweden	395	Sweden	666
Total for	23134		22981
Others			
Others not	712		847
Listed			
Grand Total	35184		34879

Export Trade Matrix Norway, Cod Dried and Smoked

Time Period	<input type="text" value="CY"/>	Units:	<input type="text" value="MT"/>
Exports for:	<input type="text" value="2005"/>		<input type="text" value="2006"/>
U.S.	<input type="text" value="3"/>	U.S.	<input type="text" value="3"/>
Others		Others	
Portugal	32141	Portugal	30476
Italy	6578	Italy	6324
Brazil	5714	Brazil	7490
Spain	4374	Spain	5281
Greece	2669	Greece	5344
France	1336	France	1281
Nigeria	898	Nigeria	1217
Total for Others	53710		57413
Others not Listed	<input type="text" value="5154"/>		<input type="text" value="2451"/>
Grand Total	58867		59867

Import Trade Matrix Norway, Cod Dried and Smoked

Time Period	<input type="text" value="CY"/>	Units:	<input type="text" value="MT"/>
Imports for:	<input type="text" value="2005"/>		<input type="text" value="2006"/>
U.S.	<input type="text" value="0"/>	U.S.	<input type="text" value="0"/>
Others		Others	
Total for Others	0		0
Others not Listed	<input type="text" value="0"/>		<input type="text" value="0"/>
Grand Total	0		0