

# Salmon supply and market outlook

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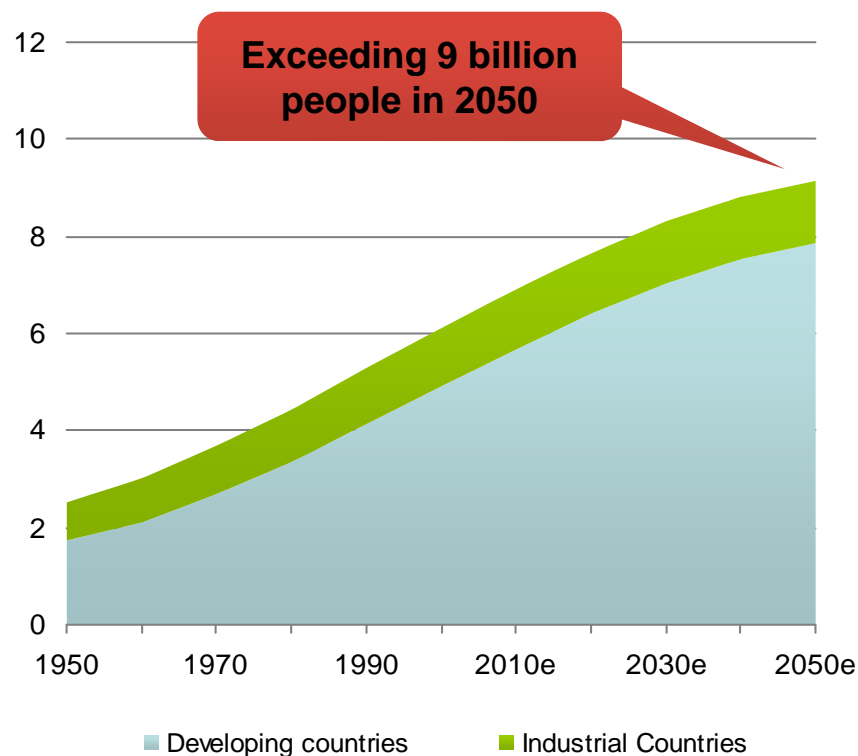
Alf-Helge Aarskog Bergen 06.03.2013

# Agenda

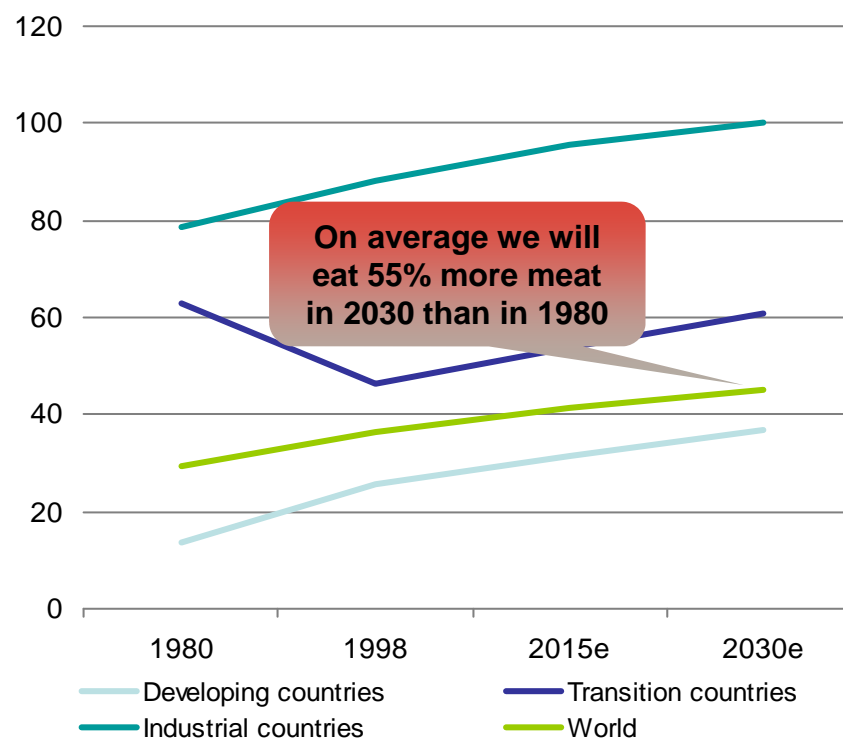
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- Fundamental global demand drivers
  - History says
  - Main challenges for further growth
  - Supply situation in the near future
  - Summary
-

# Fundamental global demand drivers

**More people:**  
**World population growth**  
In billions



**Everyone eating more protein:**  
**Growth in meat consumption**  
Kg per capita per year



Source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, World Population Prospects: The 2008 Revision, <http://esa.un.org/unpp>, Monday, October 05, 2009; 3:52:48 AM.

Source: FAO corporate document repository, <http://www.fao.org/docrep/004/y3557e/y3557e16.htm#a4>

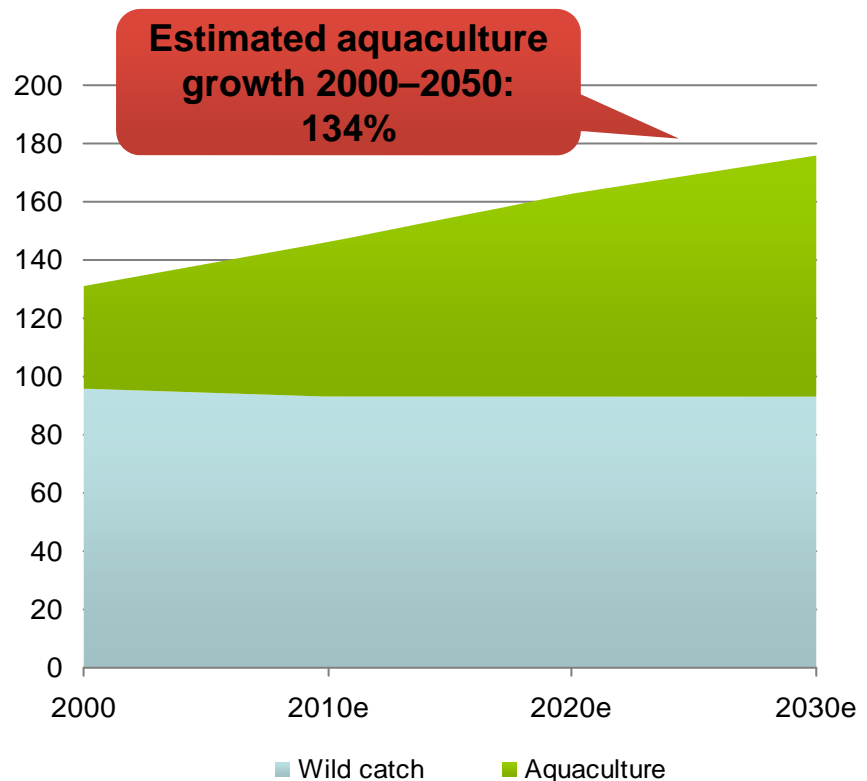
# And even stronger demand for seafood

*"...dietary goals can be met by (...) ensuring a regular intake of fish (one to two times per week)."*

World Health Organisation

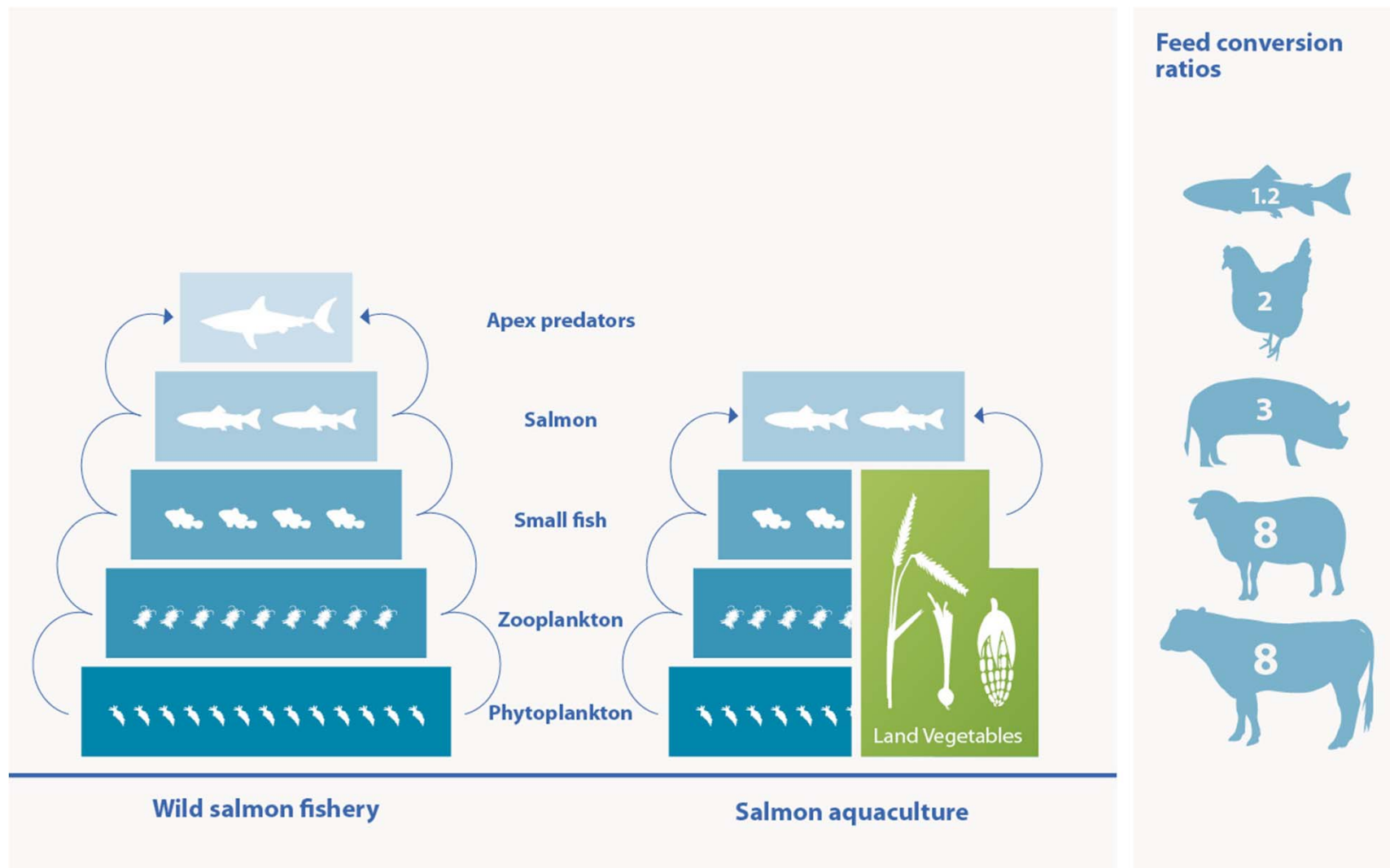
Source: [http://www.who.int/nutrition/topics/5\\_population\\_nutrient/en/index12.html](http://www.who.int/nutrition/topics/5_population_nutrient/en/index12.html)

Total seafood production  
in million tonnes



Source: <http://www.fao.org/docrep/009/A0699e/A0699E09.htm>

# Energy efficient compared to most protein sources





# A unique source of health

## Proteins:

Easily  
digestible, high  
quality proteins

## Omega-3:

High content of  
marine omega-3

## Vitamins:

High content of  
A, D and B12  
vitamins

## Minerals:

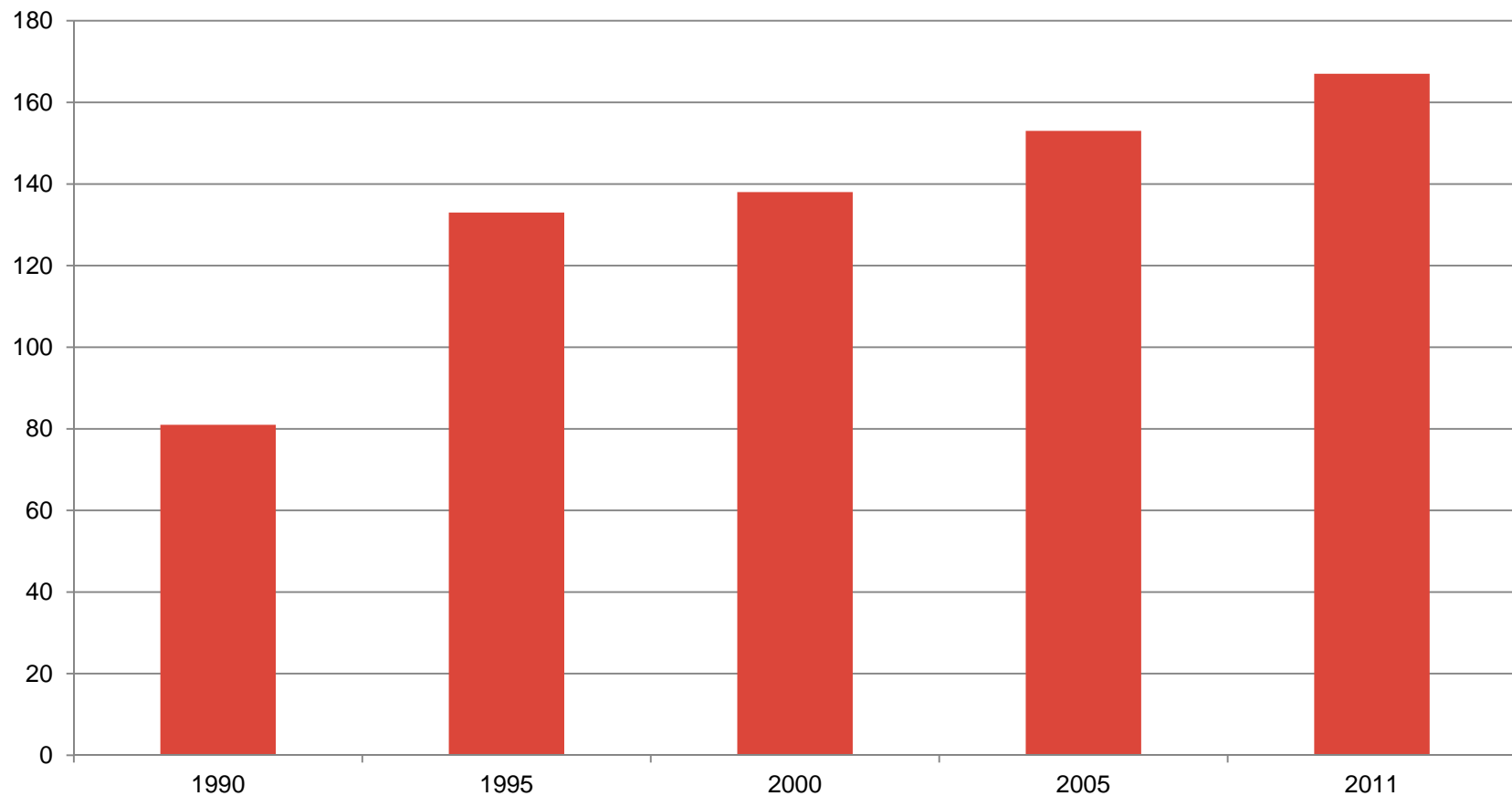
High content of  
iodine, selenium,  
taurine and  
sterols



# Available to “modern consumers”

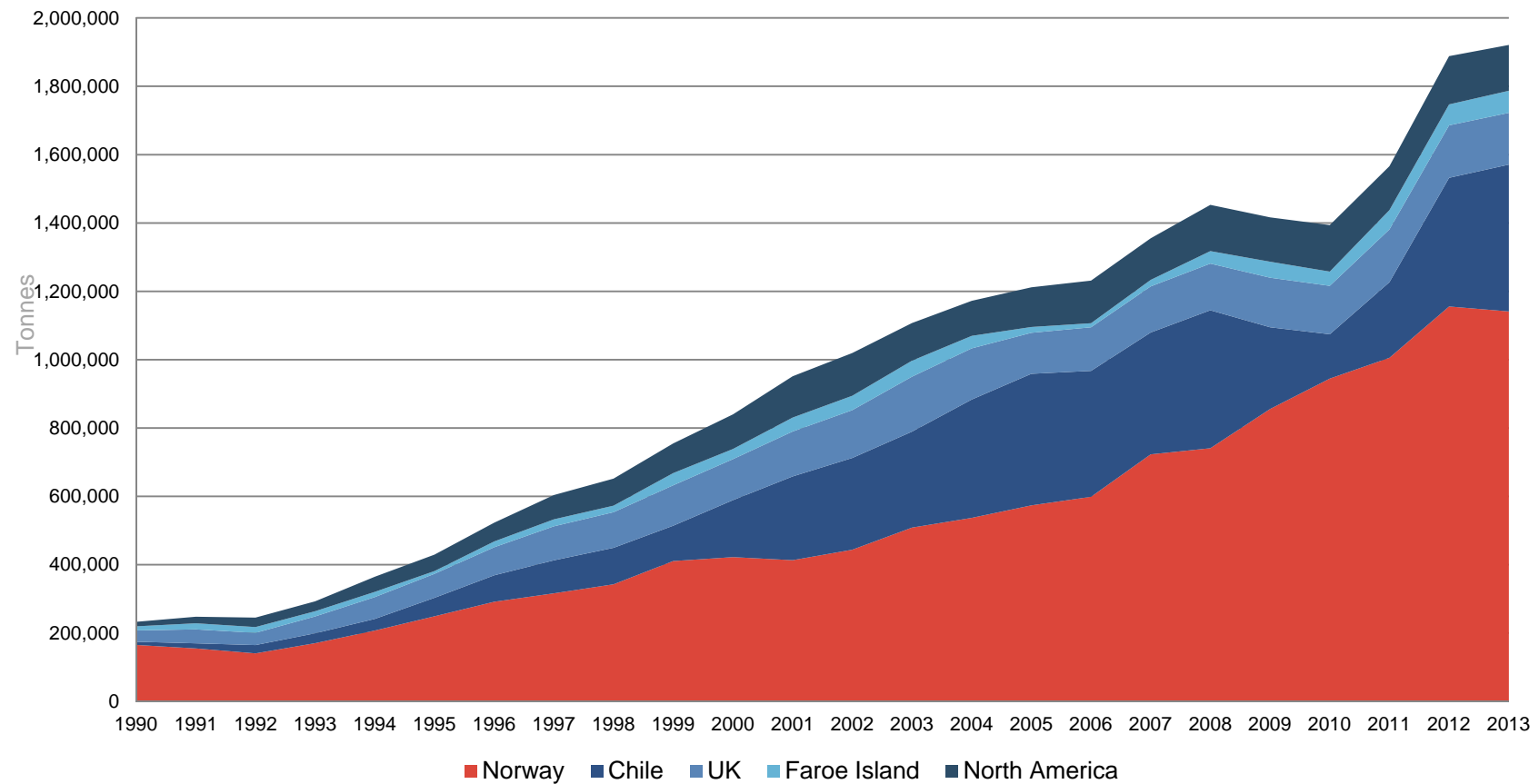


## Versatility: penetrating more and more markets

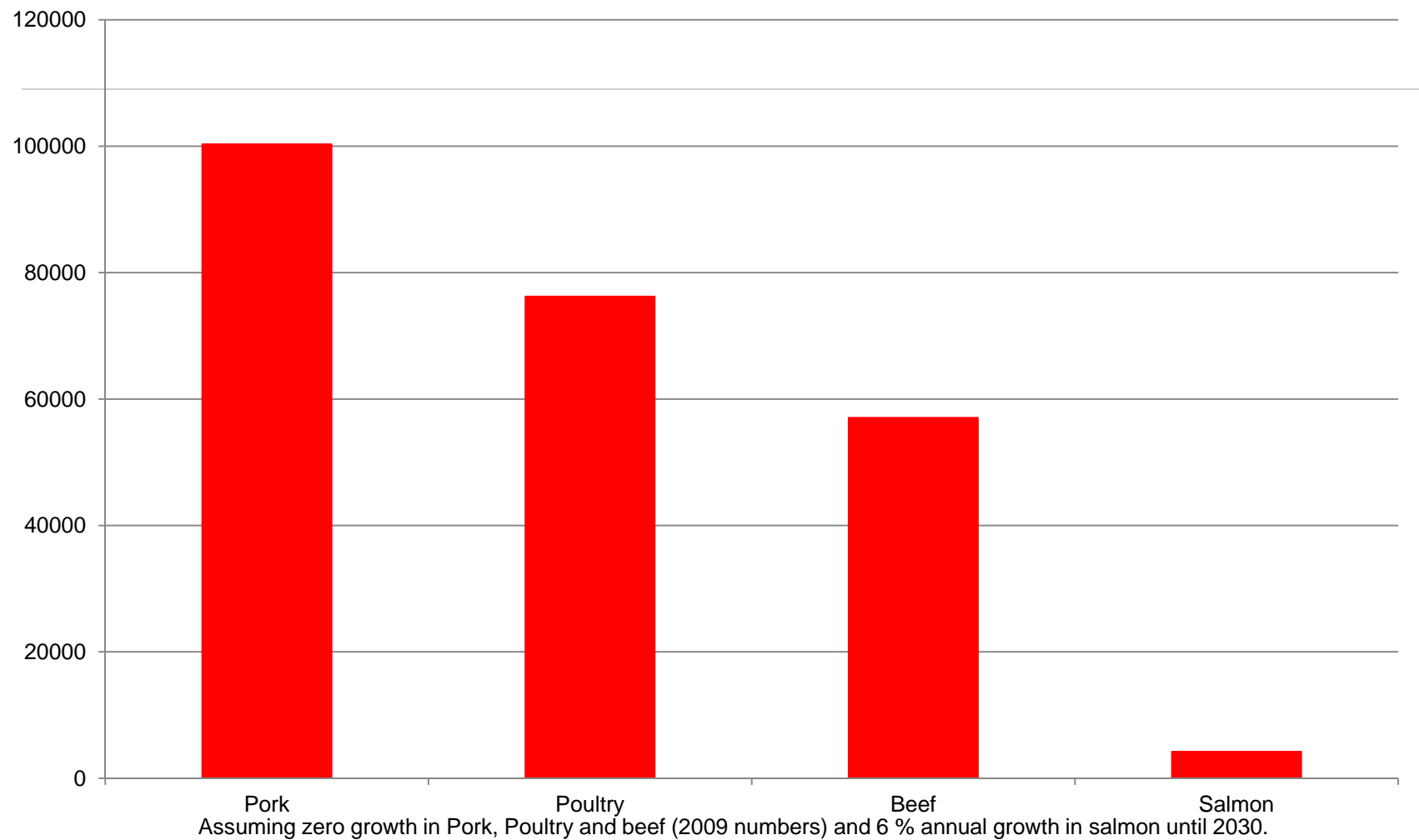


Number of import countries farmed salmon. Source: NSC

# Salmon – growth over time!



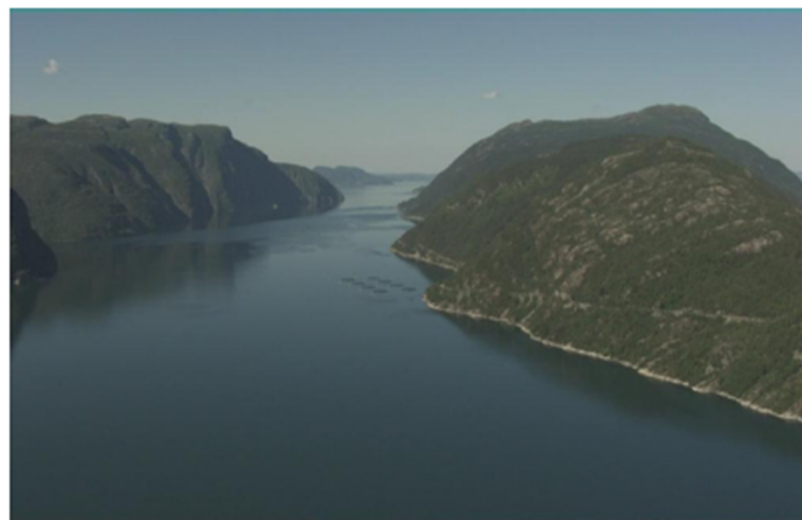
# There is room for more!



## **We have challenges to be adressed**

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- › Sea lice
- › Escapes
- › Medicine use
- › Survival rate and disease control
- › Use of marine resources
- › Acceptance for alternative feed raw materials



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*Perceived or real- equally important, but solution is different*

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# Global supply development

| Suppliers     | Estimated volumes |                | Compared to Q4 2011 |              | Estimated volumes |                  | 12 months comparison |              |
|---------------|-------------------|----------------|---------------------|--------------|-------------------|------------------|----------------------|--------------|
|               | Q4 2012           | Q4 2011        | Volume              | %            | 2012              | 2011             | Volume               | %            |
| Norway        | 304,200           | 285,400        | 18,800 ↑            | 6.6%         | 1,064,800         | 905,000          | 159,800 ↑            | 17.7%        |
| Chile         | 95,900            | 64,400         | 31,500 ↑            | 48.9%        | 327,400           | 198,900          | 128,500 ↑            | 64.6%        |
| Scotland      | 36,400            | 40,100         | -3,700 ↓            | -9.2%        | 141,700           | 139,200          | 2,500 ↑              | 1.8%         |
| North America | 34,200            | 33,600         | 600 ↑               | 1.8%         | 128,800           | 115,500          | 13,300 ↑             | 11.5%        |
| Faroe Islands | 18,200            | 16,300         | 1,900 ↑             | 11.7%        | 63,100            | 50,700           | 12,400 ↑             | 24.5%        |
| Australia     | 9,300             | 8,800          | 500 ↑               | 5.7%         | 32,900            | 32,400           | 500 ↑                | 1.5%         |
| Ireland       | 3,900             | 4,500          | -600 ↓              | -13.3%       | 14,000            | 14,400           | -400 ↓               | -2.8%        |
| Other         | 3,000             | 1,600          | 1,400 ↑             | 87.5%        | 8,200             | 4,500            | 3,700 ↑              | 82.2%        |
| <b>Sum</b>    | <b>507,000</b>    | <b>454,700</b> | <b>52,300 ↑</b>     | <b>11.5%</b> | <b>1,782,800</b>  | <b>1,460,600</b> | <b>320,300 ↑</b>     | <b>22.1%</b> |

Source: Kontali

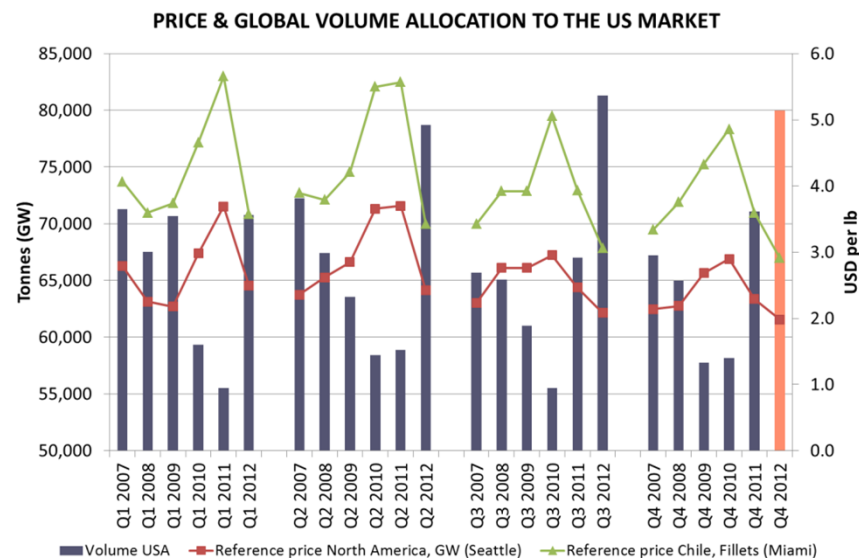
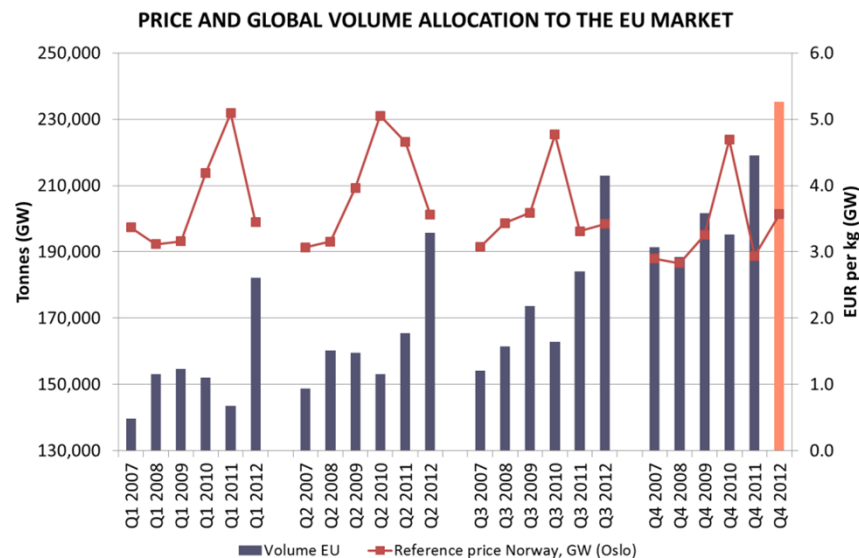
- Materially lower growth from Norway compared to previous quarters
- Continued strong growth from Chile
- Minor movement in the remaining regions – totalling zero growth

# Development in reference prices

| Reference prices  | Q4 2012<br>NOK | Change vs<br>Q4 2011 | Q4 2012<br>Market (4) | Change vs<br>Q4 2011 |
|-------------------|----------------|----------------------|-----------------------|----------------------|
| Norway (1)        | NOK 26.28      | 15.4%                | EUR 3.57              | 21.6%                |
| Chile (2)         | NOK 16.55      | -20.0%               | USD 2.91              | -19.0%               |
| North America (3) | NOK 11.26      | -14.7%               | USD 1.98              | -13.6%               |

## Notes:

- (1) Average superior HOG price per kg (NOS/FHL FCA Oslo)
- (2) Average C trim price per lb (Umer Barry Miami 2-3 lb)
- (3) Average superior HOG price per lb (Umer Barry Seattle 10-12 lb)
- (4) Market price in local currency



# Global volume by market

| Markets                  | Estimated volumes |                | Compared to Q4 2011 |              | Estimated volumes |                  | 12 months comparison |              |
|--------------------------|-------------------|----------------|---------------------|--------------|-------------------|------------------|----------------------|--------------|
|                          | Q4 2012           | Q4 2011        | Volume              | %            | 2012              | 2011             | Volume               | %            |
| EU                       | 234,800           | 215,600        | 19,200 ↑            | 8.9%         | 824,100           | 704,100          | 120,000 ↑            | 17.0%        |
| USA                      | 77,500            | 71,600         | 5,900 ↑             | 8.2%         | 308,300           | 259,600          | 48,700 ↑             | 18.8%        |
| Russia                   | 48,900            | 43,400         | 5,500 ↑             | 12.7%        | 155,100           | 114,300          | 40,800 ↑             | 35.7%        |
| Japan                    | 13,700            | 15,000         | -1,300 ↓            | -8.7%        | 56,800            | 41,000           | 15,800 ↑             | 38.5%        |
| Brasil                   | 20,800            | 12,800         | 8,000 ↑             | 62.5%        | 64,800            | 38,700           | 26,100 ↑             | 67.4%        |
| China / Hong Kong        | 15,800            | 13,400         | 2,400 ↑             | 17.9%        | 56,100            | 45,500           | 10,600 ↑             | 23.3%        |
| South Korea/Taiwan       | 10,000            | 8,000          | 2,000 ↑             | 25.0%        | 34,300            | 27,000           | 7,300 ↑              | 27.0%        |
| Ukraina                  | 9,300             | 6,900          | 2,400 ↑             | 34.8%        | 26,200            | 18,700           | 7,500 ↑              | 40.1%        |
| <b>Sum main markets</b>  | <b>430,700</b>    | <b>386,800</b> | <b>43,900 ↑</b>     | <b>11.3%</b> | <b>1,525,700</b>  | <b>1,248,800</b> | <b>276,800 ↑</b>     | <b>22.2%</b> |
| Other markets            | 75,800            | 64,500         | 11,300 ↑            | 17.5%        | 250,400           | 209,300          | 41,100 ↑             | 19.6%        |
| <b>Total all markets</b> | <b>506,400</b>    | <b>451,400</b> | <b>55,000 ↑</b>     | <b>12.2%</b> | <b>1,776,100</b>  | <b>1,458,200</b> | <b>317,900 ↑</b>     | <b>21.8%</b> |
| Inflow to US from Europe | 15,800            | 22,000         | -6,200 ↓            | -28.2%       | 67,000            | 86,200           | -19,200 ↓            | -22.3%       |
| Inflow to EU from Chile  | 8,500             | 4,100          | 4,400 ↑             | 107.3%       | 24,300            | 15,500           | 8,800 ↑              | 56.8%        |

Source: Kontali

- Strong increase in Europe at significantly higher prices
- Limited stimulation of US end demand despite very low prices
- Strong growth in most other markets
- Still limited shipments from Chile to Europe

# Industry supply outlook Q1 and 2013

|                        | 2008         | 2009         | 2010         | 2011         | 2012         | Estimates 2013 |            |              |            |
|------------------------|--------------|--------------|--------------|--------------|--------------|----------------|------------|--------------|------------|
| HOG tonnes (thousands) |              |              |              |              |              | Low            | Y/Y growth | High         | Y/Y growth |
| Norway                 | 667          | 770          | 850          | 905          | 1065         | 998            | -6%        | 1,029        | -3%        |
| Chile                  | 363          | 215          | 117          | 199          | 328          | 420            | 28%        | 445          | 36%        |
| North America          | 122          | 119          | 122          | 116          | 129          | 113            | -12%       | 118          | -8%        |
| UK                     | 123          | 130          | 128          | 139          | 141          | 126            | -11%       | 132          | -7%        |
| Other                  | 69           | 86           | 85           | 99           | 120          | 108            | -10%       | 112          | -7%        |
| <b>Total</b>           | <b>1,344</b> | <b>1,320</b> | <b>1,301</b> | <b>1,458</b> | <b>1,783</b> | <b>1,765</b>   | <b>-1%</b> | <b>1,836</b> | <b>3%</b>  |

|                        | Q1 2008    | Q1 2009    | Q1 2010    | Q1 2011    | Q1 2012    | ESTIMATES Q1 2013 |            |            |            |
|------------------------|------------|------------|------------|------------|------------|-------------------|------------|------------|------------|
| HOG tonnes (thousands) |            |            |            |            |            | Low               | Q/Q growth | High       | Q/Q growth |
| Norway                 | 155        | 163        | 196        | 190        | 242        | 225               | -7%        | 230        | -5%        |
| Chile                  | 80         | 92         | 30         | 33         | 67         | 100               | 50%        | 110        | 64%        |
| North America          | 29         | 29         | 30         | 25         | 31         | 25                | -19%       | 27         | -13%       |
| UK                     | 29         | 27         | 31         | 30         | 33         | 23                | -30%       | 25         | -23%       |
| Other                  | 14         | 20         | 18         | 22         | 30         | 28                | -7%        | 32         | 6%         |
| <b>Total</b>           | <b>307</b> | <b>331</b> | <b>305</b> | <b>300</b> | <b>403</b> | <b>401</b>        | <b>0%</b>  | <b>424</b> | <b>5%</b>  |

- 2013 volumes for Chile increased by 30 thousand tonnes from Q3 presentation
- Blended picture for 2013
  - 4%-7% drop Norwegian/Scottish output
  - 14%-19% increase in Chilean/North American output

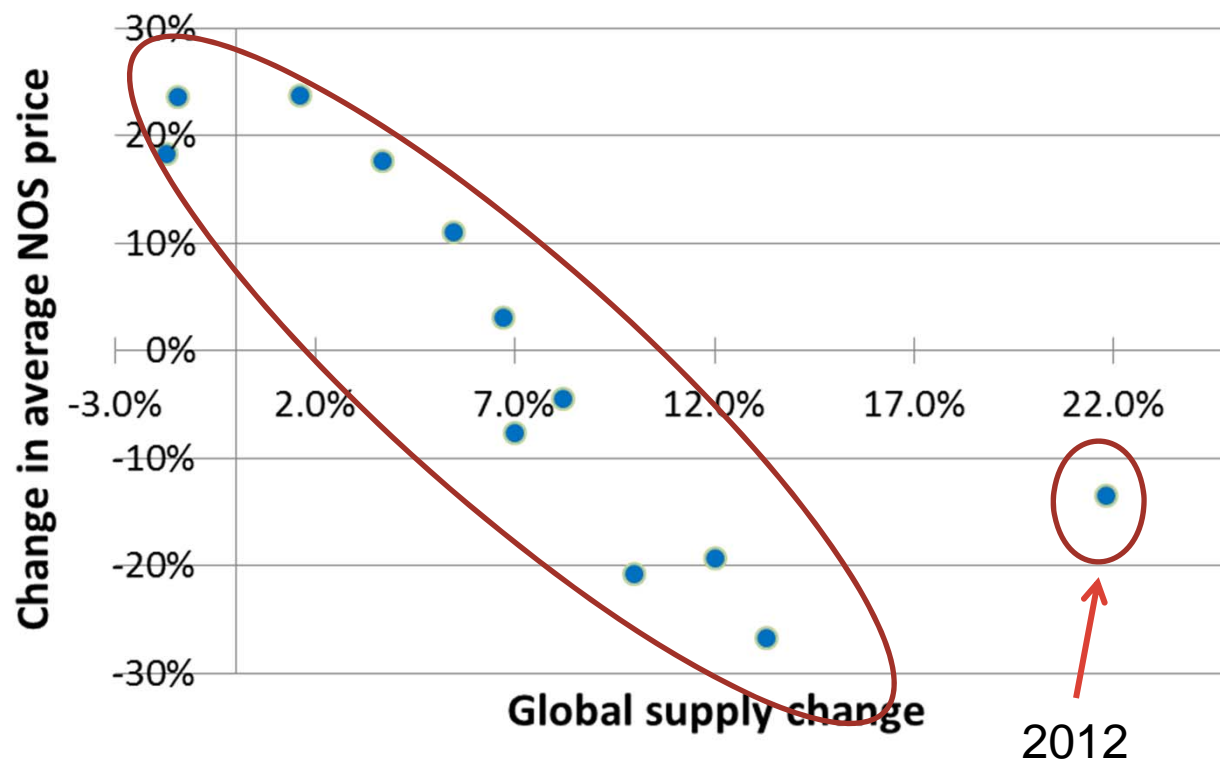
## MHG – 2013 volume guidance

| Salmon species<br>HOG tons (1000) | Q1 2012<br>Actual | Q2 2012<br>Actual | Q3 2012<br>Actual | Q4 2012<br>Actual | 2012<br>Actual | Q1 2013<br>Estimate | Q2-Q4 2013<br>Estimate | 2013<br>Estimate |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|----------------|---------------------|------------------------|------------------|
| <b>Norway</b>                     | <b>63</b>         | <b>64</b>         | <b>58</b>         | <b>70</b>         | <b>255</b>     | <b>45</b>           | <b>185</b>             | <b>230</b>       |
| Growth %                          | 30%               | 18%               | 23%               | 4%                | 17%            | -28%                | -4%                    | -10%             |
| <b>Chile (1)</b>                  | <b>10</b>         | <b>10</b>         | <b>10</b>         | <b>11</b>         | <b>40</b>      | <b>8</b>            | <b>26</b>              | <b>34</b>        |
| Growth %                          | 255%              | 728%              | -11%              | 0%                | 55%            | -18%                | -15%                   | -15%             |
| <b>Canada</b>                     | <b>11</b>         | <b>11</b>         | <b>8</b>          | <b>11</b>         | <b>40</b>      | <b>12</b>           | <b>20</b>              | <b>32</b>        |
| Growth %                          | 12%               | 36%               | 4%                | 23%               | 19%            | 13%                 | -32%                   | -20%             |
| <b>Scotland</b>                   | <b>9</b>          | <b>11</b>         | <b>13</b>         | <b>7</b>          | <b>40</b>      | <b>8</b>            | <b>34</b>              | <b>42</b>        |
| Growth %                          | -11%              | -13%              | -8%               | -47%              | -20%           | -13%                | 9%                     | 4%               |
| <b>Other Units</b>                | <b>4</b>          | <b>4</b>          | <b>4</b>          | <b>5</b>          | <b>16</b>      | <b>2</b>            | <b>10</b>              | <b>12</b>        |
| Growth %                          | 4%                | -8%               | 48%               | 0%                | 7%             | -54%                | -16%                   | -26%             |
| <b>Total</b>                      | <b>97</b>         | <b>99</b>         | <b>93</b>         | <b>103</b>        | <b>392</b>     | <b>75</b>           | <b>275</b>             | <b>350</b>       |
| Growth %                          | 29%               | 24%               | 12%               | -1%               | 14%            | -22%                | -7%                    | -11%             |

- 80% of volume originating in Europe at low contract coverage
- 2013 harvest volumes temporarily reduced due to:
  - Cash flow measures taken in 2011/2012
  - AGD issues in Scotland and Ireland

# Historic Volume – Price Relationship

| Y-o-Y   | Global supply growth | Change in av. price FCA Oslo |
|---------|----------------------|------------------------------|
| 2000-01 | 13.3%                | -27%                         |
| 2001-02 | 7.0%                 | -8%                          |
| 2002-03 | 8.2%                 | -4%                          |
| 2003-04 | 5.5%                 | 11%                          |
| 2004-05 | 3.7%                 | 18%                          |
| 2005-06 | 1.6%                 | 24%                          |
| 2006-07 | 10.0%                | -21%                         |
| 2007-08 | 6.7%                 | 3%                           |
| 2008-09 | -1.7%                | 18%                          |
| 2009-10 | -1.4%                | 24%                          |
| 2010-11 | 12.0%                | -19%                         |
| 2011-12 | 21.8%                | -13%                         |



- The global demand drivers calls for growth
- Salmon as protein, healthy tasty and energy efficient
- There are challenges to be solved
- Predictable regulatory environment needed
- Short term the supply in Europe can be to low for sustainable development!



**Thank you for your attention!**